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FEDERAL RESERVE BOARD ANNOUNCEMENT
FOR THE WEEK ENDING JANUARY 6TH, 1922.

ADMITTED TO THE FEDERAL RESERVE SYSTEM:

	<u>Capital</u>	<u>Surplus</u>	<u>Total Resources</u>
<u>DISTRICT NO. 4.</u>			
Commonwealth Banking & Trust Co., Cleveland, Ohio.	\$250,000	\$100,000	\$353,160

BANK CLOSED:

Woodville State Bank, Woodville, Texas.

VOLUNTARY LIQUIDATION:

Scandinavian-American Bank, Marshfield, Oregon.

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FEDERAL RESERVE BOARD ANNOUNCEMENT
FOR THE WEEK ENDING JANUARY 13, 1922.

ADMITTED TO THE FEDERAL RESERVE SYSTEM:

None admitted.

WITHDRAWAL:

Kansas Reserve State Bank, Topeka, Kansas.

INSOLVENT BANK:

Guaranty State Bank, Troup, Texas.

MERGER:

The Peoples Bank, St. Paul, Minnesota, has merged with the Central Metropolitan Bank, St. Paul, a member bank.

CONVERSION:

Merchants State Bank, Port Arthur, Texas, has converted into The Merchants National Bank of Port Arthur.

PERMISSION GRANTED TO EXERCISE TRUST POWERS:

The City National Bank of Binghamton, New York.
The First National Bank of Red Wing, Minnesota.

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FEDERAL RESERVE BOARD ANNOUNCEMENT
FOR THE WEEK ENDING JANUARY 20, 1922.

ADMITTED TO THE FEDERAL RESERVE SYSTEM:

	<u>Capital</u>	<u>Surplus</u>	<u>Total Resources</u>
<u>DISTRICT NO. 6.</u>			
Merchants and Planters Bank, Whitecastle, Louisiana.	\$30,000	\$6,000	\$115,414
<u>DISTRICT NO. 7.</u>			
The Wayne County State Bank, Corydon, Iowa.	75,000	25,000	377,953

MERGER:

The Peoples Bank of St. Paul, Minnesota, has merged
with the Central Metropolitan Bank of St. Paul.

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FEDERAL RESERVE BOARD ANNOUNCEMENT
FOR THE WEEK ENDING JANUARY 27, 1922.

ADMITTED TO THE FEDERAL RESERVE SYSTEM:

	<u>Capital</u>	<u>Surplus</u>	<u>Total Resources</u>
<u>DISTRICT NO. 3.</u>			
Columbia County Trust Company, Bloomsburg, Pennsylvania	\$125,000	\$25,000	\$819,661
Orrstown Bank, Orrstown, Pennsylvania	25,000	6,000	148,552

DISTRICT NO. 9.

Mellette County State Bank, White River, South Dakota	25,000	500	110,612
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LIQUIDATION:

Bank of Commerce & Trust Company, Mercedes, Texas.

INSOLVENT:

The First Territorial Bank, Lovington, New Mexico.

CONVERSION:

The Merchants State Bank, Port Arthur, Texas, has converted
into The Merchants National Bank of Port Arthur.

PERMISSION GRANTED TO EXERCISE TRUST POWERS:

The First National Bank of Ocean City, New Jersey.
 The Central National Bank of Philadelphia, Pennsylvania.
 The Third National Bank of Philadelphia, Pennsylvania.
 The Citizens' National Bank of Princeton, Illinois.
 The Security National Bank of Sheboygan, Wisconsin.
 The First National Bank of Guthrie, Oklahoma.

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FEDERAL RESERVE BOARD ANNOUNCEMENT
FOR THE WEEK ENDING FEBRUARY 3D, 1922.

ADMITTED TO THE FEDERAL RESERVE SYSTEM:

	<u>Capital</u>	<u>Surplus</u>	<u>Total Resources</u>
<u>DISTRICT NO. 3.</u>			
Lemoyne Trust Company, Lemoyne, Pennsylvania	\$125,000	\$80,000	\$1,105,149
<u>DISTRICT NO. 6.</u>			
Macon County Bank, Tuskegee, Alabama	50,000	110,000	485,025

FEDERAL RESERVE BOARD ANNOUNCEMENT
FOR THE WEEK ENDING FEBRUARY 10, 1922.

ADMITTED TO THE FEDERAL RESERVE SYSTEM:

	<u>Capital</u>	<u>Surplus</u>	<u>Total Resources</u>
<u>DISTRICT NO. 6.</u>			
Polk County Trust Company, Lakeland, Florida	\$300,000	-	\$438,119

WITHDRAWAL:

The Hillsboro State Bank, Hillsboro, Indiana.

CONVERTED INTO NATIONAL BANKS:

City Trust & Savings Bank, Grand Rapids, Michigan.
First State Bank, Locust Grove, Oklahoma.

LIQUIDATION:

Bellevue Bank & Trust Company, Bellevue, Idaho.

PERMISSION GRANTED TO EXERCISE TRUST POWERS:

- The Hudson County National Bank of Jersey City, New Jersey.
- The National Exchange Bank of Carthage, New York.
- The First National Bank of Holly Hill, South Carolina.
- The First National Bank of Barnesville, Georgia.
- The First National Bank of Gulfport, Mississippi.
- The Galesburg National Bank, Galesburg, Illinois.
- The First National Bank of Colfax, Iowa.
- The National Bank of Benld, Benld, Illinois.
- The American National Bank of Mount Carmel, Illinois.
- The Merchants' National Bank of South Bend, Indiana.

FEDERAL RESERVE BOARD ANNOUNCEMENT
FOR THE WEEK ENDING FEBRUARY 17, 1922.

ADMITTED TO THE FEDERAL RESERVE SYSTEM:

	<u>Capital</u>	<u>Surplus</u>	<u>Total Resources</u>
<u>DISTRICT NO. 2.</u>			
Overpeck Trust Company, Ridgefield Park, N. J.	\$100,000	\$25,000	\$125,000
Globe Exchange Bank, Brooklyn, N. Y.	200,000	40,000	2,026,284
Midwood Trust Company, Brooklyn, N. Y.	500,000	250,000	2,097,207

DISTRICT NO. 8.

Southern Commercial & Savings Bank, St. Louis, Mo.	200,000	50,000	2,745,536
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CONVERSION:

The State Bank of Enumclaw, Enumclaw, Washington, has converted into The First National Bank of Enumclaw.

VOLUNTARY LIQUIDATION:

The Rideout Bank, Marysville, California.

PERMISSION GRANTED TO EXERCISE TRUST POWERS:

The American National Bank of West Palm Beach, Florida.

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FEDERAL RESERVE BOARD ANNOUNCEMENT
FOR THE WEEK ENDING FEBRUARY 24, 1922

ADMITTED TO THE FEDERAL RESERVE SYSTEM:

	<u>Capital</u>	<u>Surplus</u>	<u>Total Resources</u>
<u>DISTRICT NO. 3.</u>			
Peoples Savings & Dime Bank, Scranton, Pennsylvania	\$700,000	\$450,000	\$12,813,148
<u>DISTRICT NO. 8.</u>			
Montgomery County Loan & Trust Co., Hillsboro, Ill.	100,000	50,000	650,215
<u>DISTRICT NO. 11.</u>			
First State Bank of Bédias, Bédias, Texas	25,000	5,000	103,417
Iola State Bank, Iola, Texas	25,000	5,000	104,626

PERMISSION GRANTED TO EXERCISE TRUST POWERS:

Mercantile National Bank in New York, New York, N. Y.
The First National Bank of Elwood, Elwood, Indiana.
The American National Bank of Racine, Racine, Wisconsin.

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FEDERAL RESERVE BOARD ANNOUNCEMENT
FOR THE WEEK ENDING MARCH 3, 1922.

ADMITTED TO THE FEDERAL RESERVE SYSTEM:

	<u>Capital</u>	<u>Surplus</u>	<u>Total Resources</u>
<u>DISTRICT NO. 5.</u>			
The Forest Hill State Bank, Forest Hill, Maryland	\$25,000	\$6,500	\$215,450
<u>DISTRICT NO. 9.</u>			
Daly Bank & Trust Company, Anaconda, Montana	100,000	100,000	2,731,029

CONVERTED INTO NATIONAL BANKS:

Mercantile Trust Company, New York, N. Y.
Bank of Lemoore, Lemoore, California.

MERGED

(with Security Trust & Savings Bank, Los Angeles, Cal.)

Long Beach Trust and Savings Bank, Long Beach, Calif.
Guaranty Trust & Savings Bank, Los Angeles, Calif.

PERMISSION GRANTED TO EXERCISE TRUST POWERS:

The First National Bank of St. Mary's, West Virginia.

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FEDERAL RESERVE BOARD ANNOUNCEMENT
FOR THE WEEK ENDING MARCH 10, 1922

ADMITTED TO THE FEDERAL RESERVE SYSTEM:

	<u>Capital</u>	<u>Surplus</u>	<u>Total Resources</u>
<u>DISTRICT NO. 6.</u>			
Bank of Hoschton, Hoschton, Georgia	\$30,000	\$15,000	\$66,175

CHANGE OF NAME:

The Northeast-Tacony Bank, Philadelphia, Pennsylvania,
to Northeast-Tacony Bank & Trust Company.

AUTHORIZED TO ACCEPT DRAFTS AND BILLS OF EXCHANGE
UP TO 100 PER CENT OF CAPITAL AND SURPLUS:

Mercantile Trust Company, San Francisco, California.

PERMISSION GRANTED TO EXERCISE TRUST POWERS:

The First National Bank of Spring Valley, N. Y.
The Farmers' National Bank of Butler, Penna.
The First National Bank of Martinsville, Ind.
The First National Bank of Whiting, Ind.
The Citizens' National Bank of Hampton, Iowa.
The Quincy National Bank, Quincy, Illinois.

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FEDERAL RESERVE BOARD ANNOUNCEMENT
FOR THE WEEK ENDING MARCH 17, 1922

ADMITTED TO THE FEDERAL RESERVE SYSTEM:

	<u>Capital</u>	<u>Surplus</u>	<u>Total Resources</u>
<u>DISTRICT NO. 8.</u>			
The Greenfield Bank, Greenfield, Tennessee	\$30,000	\$25,000	\$218,359
<u>DISTRICT NO. 9.</u>			
State Bank of Anoka, Anoka, Minnesota	50,000	25,000	923,118
Security State Bank, Wanamingo, Minnesota	40,000	8,000	208,836
<u>DISTRICT NO. 11.</u>			
The Farmers Guaranty State Bank, Stephenville, Texas	100,000	- -	543,097

CONVERSION:

The Rittenhouse Trust Company, Philadelphia, Pennsylvania,
has converted into a national bank.

PERMISSION GRANTED TO EXERCISE TRUST POWERS:

The Fruit Growers' National Bank of Smyrna, Delaware.
The Market Street National Bank of Philadelphia, Penna.
The Rittenhouse National Bank of Philadelphia, Penna.
The First National Bank of Elloree, South Carolina.

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FEDERAL RESERVE BOARD ANNOUNCEMENT
FOR THE WEEK ENDING MARCH 24, 1922

ADMITTED TO THE FEDERAL RESERVE SYSTEM:

	<u>Capital</u>	<u>Surplus</u>	<u>Total Resources</u>
<u>DISTRICT NO. 6.</u>			
Peoples Bank & Trust Co., Selma, Alabama	\$100,000	\$30,000	\$737,627
Citizens Bank, Barnesville, Georgia	50,000	35,000	242,383

BANK CLOSED:

Yellowstone Valley Bank & Trust Co., Sidney, Montana.

AUTHORIZED TO ACCEPT DRAFTS AND BILLS OF EXCHANGE
UP TO 100 PER CENT OF CAPITAL AND SURPLUS:

The New York Trust Company, New York, N. Y.

PERMISSION GRANTED TO EXERCISE TRUST POWERS:

The Commercial National Bank, Raleigh, North Carolina.
The Palmer National Bank, Danville, Illinois.
The First National Bank, Mascoutah, Illinois.
The National City Bank, Evansville, Indiana.
The American Exchange National Bank, Virginia, Minnesota.
The First National Bank, Longview, Texas.

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FEDERAL RESERVE BOARD ANNOUNCEMENT
FOR THE WEEK ENDING MARCH 31, 1922

ADMITTED TO THE FEDERAL RESERVE SYSTEM:

	<u>Capital</u>	<u>Surplus</u>	<u>Total Resources</u>
<u>DISTRICT NO. 8.</u>			
Lawrence County Bank, Walnut Ridge, Ark.	\$125,000	\$35,000	\$862,514

INSOLVENT:

First Guaranty State Bank, Collinsville, Texas.

CONVERSION:

The Texas Bank & Trust Co., Beaumont, Texas, has converted into a national bank.

PERMISSION GRANTED TO EXERCISE TRUST POWERS:

The Western Reserve National Bank, Warren, Ohio.
First National Bank of Polk County at Copperhill, Tenn.
The Security National Bank, Faribault, Minn.
The First National Bank of Hooker, Okla.

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FEDERAL RESERVE BOARD ANNOUNCEMENT
FOR THE WEEK ENDING APRIL 7, 1922.

ADMITTED TO THE FEDERAL RESERVE SYSTEM:

	<u>Capital</u>	<u>Surplus</u>	<u>Total Resources</u>
<u>DISTRICT NO. 5.</u>			

Farmers Bank of Pendleton, Franklin, West Virginia	\$50,000	\$50,000	\$616,978
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DISTRICT NO. 6.

Pendergrass Banking Co., Pendergrass, Georgia	25,000	4,000	72,782
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VOLUNTARY LIQUIDATION:

The Bank of Santa Monica, Santa Monica, California.

CONVERSION:

The Peoples State Bank, Enumclaw, Washington, has converted into a national bank.

PERMISSION GRANTED TO EXERCISE TRUST POWERS:

The People's National Bank of Leesburg, Virginia.
The Beckley National Bank, Beckley, West Virginia.
The First National Bank of Troy, Alabama.

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FEDERAL RESERVE BOARD ANNOUNCEMENT
FOR THE WEEK ENDING APRIL 14, 1922.

ADMITTED TO THE FEDERAL RESERVE SYSTEM:

	<u>Capital</u>	<u>Surplus</u>	<u>Total Resources</u>
<u>DISTRICT NO. 4.</u>			
The State Banking & Trust Co., Cleveland, Ohio	\$750,000	\$225,000	\$11,746,011
The Farmers & Merchants Bank Co., Sylvania, Ohio	50,000	16,000	567,126
<u>DISTRICT NO. 6.</u>			
Bank of Madison, Madison, Georgia	100,000	75,000	416,945
<u>DISTRICT NO. 8.</u>			
Planters Bank & Trust Co., Ruleville, Mississippi	100,000	10,000	207,856

WITHDRAWAL:

Cambria Bank, Inc., Cambria, Virginia.

INSOLVENT:

El Paso Bank & Trust Co., El Paso, Texas.

CHANGES OF NAME:

Montclair Trust Company, Montclair, New Jersey,

to the

Montclair Essex Trust Company.

Saline Trust and Savings Bank, Harrisburg, Illinois,

to the

First Trust and Savings Bank.

PERMISSION GRANTED TO EXERCISE TRUST POWERS:

The First National Bank of Stevens Point, Wisconsin.

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FEDERAL RESERVE BOARD ANNOUNCEMENT
FOR THE WEEK ENDING APRIL 21, 1922

ADMITTED TO THE FEDERAL RESERVE SYSTEM:

	<u>Capital</u>	<u>Surplus</u>	<u>Total Resources</u>
<u>DISTRICT NO. 5.</u>			
The Peoples Trust Company, Martinsburg, West Virginia	\$200,000	\$102,500	\$1,562,724
<u>DISTRICT NO. 6.</u>			
Bank of Winter Park, Winter Park, Florida	40,000	10,000	501,199
<u>DISTRICT NO. 8.</u>			
Farmers State Bank, New Athens, Illinois	25,000	- -	82,068
Northwestern Trust Company, St. Louis, Missouri	500,000	200,000	8,595,320

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FEDERAL RESERVE BOARD ANNOUNCEMENT
FOR THE WEEK ENDING APRIL 28, 1922

ADMITTED TO THE FEDERAL RESERVE SYSTEM

	<u>Capital</u>	<u>Surplus</u>	<u>Total Resources</u>
<u>DISTRICT NO. 7.</u>			

Fletcher Savings & Trust Co., Indianapolis, Indiana	\$1,500,000	250,000	16,526,517
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DISTRICT NO. 8.

Scruggs, Vandervoort & Barney Bank, St. Louis, Mo.	200,000	- -	1,378,418
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MERGER:

The North Side Bank of Brooklyn, N. Y., has merged with the Manufacturers Trust Co. of Brooklyn under name of the latter.

CONSOLIDATION:

The American Bank & Trust Co. and the Liberty Bank & Trust Co., both of New Orleans, La., have consolidated under the name of American Liberty Bank & Trust Co.

CONVERSION:

The Farmers & Merchants State Bank, Kenedy, Texas, has converted into a national bank.

PERMISSION GRANTED TO EXERCISE TRUST POWERS:

- The Honesdale National Bank, Honesdale, Penna.
- The Bank of North America, Philadelphia, Penna.
- The Third National Exchange Bank, Sandusky, Ohio.
- The Clinton County National Bank, Wilmington, Ohio.
- The People's National Bank, Monessen, Penna.
- Dubuque National Bank, Dubuque, Iowa.
- The University National Bank, Seattle, Wash.

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FEDERAL RESERVE BOARD ANNOUNCEMENT
FOR THE WEEK ENDING MAY 5, 1922.

ADMITTED TO THE FEDERAL RESERVE SYSTEM:

	<u>Capital</u>	<u>Surplus</u>	<u>Total Resources</u>
<u>DISTRICT NO. 6.</u>			
The Peoples Bank, Crystal Springs, Miss.	\$25,000	\$2,500	\$27,500
Bank of Hattiesburg & Trust Co., Hattiesburg, Miss.	100,000	33,000	1,046,003
<u>DISTRICT NO. 8.</u>			
The Savings Trust Co., St. Louis, Mo.	200,000	50,000	1,812,203
<u>DISTRICT NO. 12.</u>			
Citizens Bank, Portland, Oreg.	200,000	1,000	2,220,847

PERMISSION GRANTED TO EXERCISE TRUST POWERS:

The Terre Haute National Bank, Terre Haute, Indiana.

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FEDERAL RESERVE BOARD ANNOUNCEMENT
FOR THE WEEK ENDING MAY 12, 1922.

ADMITTED TO THE FEDERAL RESERVE SYSTEM:

	<u>Capital</u>	<u>Surplus</u>	<u>Total Resources</u>
<u>DISTRICT NO. 5.</u>			
Bank of Victoria, Inc., Victoria, Va.	\$ 30,000	\$ 9,000	\$360,928
<u>DISTRICT NO. 7.</u>			
Iowa Loan & Trust Co., Fairfield, Iowa.	50,000	12,500	93,626

VOLUNTARY LIQUIDATIONS:

Farmers Bank Company, Pandora, Ohio.
Farmers & Merchants Savings Bank, Logan, Utah.

WITHDRAWAL:

Clay County State Bank, Louisville, Illinois.

AUTHORIZED TO ACCEPT DRAFTS AND BILLS OF EXCHANGE
UP TO 100 PER CENT OF CAPITAL AND SURPLUS:

The Merchants Bank, Mobile, Alabama.

PERMISSION GRANTED TO EXERCISE TRUST POWERS:

The Citizens' National Bank of Lehighton, Penna.
The Fourth National Bank of Wichita, Kansas.
The First National Bank of Clarksville, Texas.
The State National Bank of Houston, Texas.

FEDERAL RESERVE BOARD

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FEDERAL RESERVE BOARD ANNOUNCEMENT FOR THE WEEK ENDING MAY 19, 1922

ADMITTED TO THE FEDERAL RESERVE SYSTEM:

	<u>Capital</u>	<u>Surplus</u>	<u>Total Resources</u>
<u>DISTRICT NO. 6.</u>			
Farmers & Merchants Bank, Hurtsboro, Alabama.	\$31,400	\$10,000	\$121,708
The Middle Georgia Bank, Eatonton, Georgia.	50,000	50,000	532,954
<u>DISTRICT NO. 11.</u>			
Blooming Grove State Bank, Blooming Grove, Texas.	50,000	5,000	175,360
<u>DISTRICT NO. 12.</u>			
Columbia Valley Bank, Wenatchee, Washington.	100,000	25,000	1,853,229

CONVERTED INTO NATIONAL BANKS:

The Passaic Trust & Safe Deposit Co., Passaic, N. J.
Guaranty Bank & Trust Co., Beaumont, Texas.

VOLUNTARY LIQUIDATIONS:

Dollar Savings Bank & Trust Co., Bellaire, Ohio.
Union State Bank, Nezperce, Idaho.

PERMISSION GRANTED TO EXERCISE TRUST POWERS:

First National Bank, Lyndhurst, N. J.
Passaic National Bank and Trust Co., Passaic, N. J.
The National Bank of Newburgh, N. Y.
The Mount Holly National Bank, Mount Holly, N. J.
First National Bank, Mahanoy City, Penna.
Frederick County National Bank, Frederick, Md.
First National Bank, Waterloo, Iowa.
The Sheridan National Bank, Sheridan, Wyoming.
The American National Bank, Silver City, N. Mex.
The American National Bank, San Francisco, Calif.

FEDERAL RESERVE BOARD
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FEDERAL RESERVE BOARD ANNOUNCEMENT
FOR THE WEEK ENDING MAY 26, 1922

ADMITTED TO THE FEDERAL RESERVE SYSTEM:

	<u>Capital</u>	<u>Surplus</u>	<u>Total Resources</u>
<u>DISTRICT NO. 7.</u>			
The Farmers State Savings Bank, Milford, Michigan.	\$50,000	\$7,500	\$280,116
<u>DISTRICT NO. 11.</u>			
Farmers State Bank, Olney, Texas.	30,000	6,000	100,631
<u>DISTRICT NO. 12.</u>			
Commercial Bank & Trust Co., Wenatchee, Washington.	100,000	50,000	1,592,704

VOLUNTARY LIQUIDATION:

Farmers & Merchants Bank, Idaho Falls, Idaho.

PERMISSION GRANTED TO EXERCISE TRUST POWERS:

The National Bank of Commerce, Providence, R. I.
The Citizens' National Bank, Port Henry, N. Y.

FEDERAL RESERVE BOARD

WASHINGTON

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FEDERAL RESERVE BOARD ANNOUNCEMENT
FOR THE WEEK ENDING JUNE 2, 1922.

ADMITTED TO THE FEDERAL RESERVE SYSTEM:

	<u>Capital</u>	<u>Surplus</u>	<u>Total Resources</u>
<u>DISTRICT NO. 6.</u>			
Farmers & Merchants Bank, Athens, Alabama.	\$80,000	\$50,000	\$798,481
<u>DISTRICT NO. 8.</u>			
The Corydon State Bank, Corydon, Indiana.	39,100	7,900	76,430
Bank of Pontotoc, Pontotoc, Mississippi.	100,000	40,000	799,336
<u>DISTRICT NO. 10.</u>			
The Jamestown State Bank, Jamestown, Kansas.	25,000	25,000	319,844

PERMISSION GRANTED TO EXERCISE TRUST POWERS:

- The Peoples National Bank, Belleville, New Jersey.
- The Totowa National Bank, Paterson, New Jersey.
- The Citizens' National Bank, Potsdam, New York.
- The Condon National Bank, Coffeyville, Kansas.

FEDERAL RESERVE BOARD

WASHINGTON

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FEDERAL RESERVE BOARD ANNOUNCEMENT
FOR THE WEEK ENDING JUNE 9, 1922.

ADMITTED TO THE FEDERAL RESERVE SYSTEM:

	<u>Capital</u>	<u>Surplus</u>	<u>Total Resources</u>
<u>DISTRICT NO. 3.</u>			
Union Savings Bank & Trust Co., Wilkes-Barre, Penna.	\$222,300	\$66,690	\$834,819
<u>DISTRICT NO. 6.</u>			
Farmers State Bank, Lincolnton, Ga.	25,000	15,000	204,863

PERMISSION GRANTED TO EXERCISE TRUST POWERS:

The Ballston Spa National Bank, Ballston Spa, N. Y.
The Dover Plains National Bank, Dover Plains, N. Y.
The First National Bank of Mechanicsburg, Penna.
The National Bank of Commerce, Philadelphia, Penna.
The First National Bank of Monterey, Ind.
The Simmons National Bank of Pine Bluff, Ark.
The James River National Bank of Jamestown, N. Dak.

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FEDERAL RESERVE BOARD

WASHINGTON

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FEDERAL RESERVE BOARD ANNOUNCEMENT
FOR THE WEEK ENDING JUNE 16, 1922.

ADMITTED TO THE FEDERAL RESERVE SYSTEM:

	<u>Capital</u>	<u>Surplus</u>	<u>Total Resources</u>
<u>DISTRICT NO. 3.</u>			
Provident Trust Co., Philadelphia, Penna.	\$2,000,000	\$5,000,000	\$7,709,440
<u>DISTRICT NO. 4.</u>			
Beaver County Trust Co., New Brighton, Penna.	400,000	160,000	1,284,275
<u>DISTRICT NO. 7.</u>			
Auburn Park Trust & Sav- ings Bank, Chicago, Ill.	200,000	30,000	246,927

CHANGE:

The Provident Life & Trust Company of Philadelphia has been re-organized and its banking and trust company business transferred to a new corporation named the Provident Trust Company of Philadelphia, which company has been admitted to membership.

PERMISSION GRANTED TO EXERCISE TRUST POWERS:

The First National Bank of Columbia City, Indiana.

FEDERAL RESERVE BOARD ANNOUNCEMENT
FOR THE WEEK ENDING JUNE 23, 1922.

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ADMITTED TO THE FEDERAL RESERVE SYSTEM:

	<u>Capital</u>	<u>Surplus</u>	<u>Total Resources</u>
<u>DISTRICT NO. 7.</u>			
Commercial State Savings Bank, Detroit, Michigan.	\$1,000,000	\$200,000	\$2,931,052
<u>DISTRICT NO. 8.</u>			
Louisville Trust Co., Louisville, Kentucky.	806,100	161,220	4,286,931
Jefferson Bank, St. Louis, Missouri.	200,000	150,000	3,391,447
<u>DISTRICT NO. 11.</u>			
First State Bank of Roby, Roby, Texas.	40,000	- -	286,484
<u>DISTRICT NO. 12.</u>			
Farmers State Bank, Coulee City, Washington.	25,000	2,500	122,220

CHANGE OF LOCATION:

The First State Bank of Cloudcroft, New Mexico, has removed to Alamogordo, New Mexico.

BANK CLOSED:

The Bank of Murtaugh, Murtaugh, Idaho.

MERGER:

The Greensville Bank, and the Merchants & Farmers Bank, both of Emporia, Virginia, member banks, have merged under the name of The Citizens Bank of Emporia.

CONVERTED INTO NATIONAL BANK:

The Lincoln Trust Company, New York, N. Y.

ABSORBED BY NATIONAL BANK:

The State Savings & Mercantile Bank, Wichita, Kansas, has been absorbed by the Fourth National Bank of Wichita.

PERMISSION GRANTED TO EXERCISE TRUST POWERS:

The First National Bank of Nutley, New Jersey.
The Madison National Bank of Richmond, Kentucky.
The Charleston National Bank, Charleston, West Virginia.
The Security National Bank Savings & Trust Co.,
St. Louis, Missouri.

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FEDERAL RESERVE BOARD ANNOUNCEMENT
FOR THE WEEK ENDING JUNE 30, 1922.

ADMITTED TO THE FEDERAL RESERVE SYSTEM:

	<u>Capital</u>	<u>Surplus</u>	<u>Total Resources</u>
<u>DISTRICT NO. 3.</u>			
Jenkintown Trust Company, Jenkintown, Penna.	\$ 125,000	\$ 260,000	\$3,355,093
<u>DISTRICT NO. 5.</u>			
Old Dominion Trust Company, Richmond, Virginia.	1,000,000	1,000,000	4,616,394
<u>DISTRICT NO. 12.</u>			
Farmers & Merchants' Bank, Burbank, California.	50,000	6,000	365,131

CONSOLIDATION AND CHANGE OF NAME:

The First State Savings Bank, Ewart, Michigan, a member bank, and the Ewart Savings Bank of Ewart, a non-member bank, have consolidated under the name of Ewart State Bank, which continues membership.

VOLUNTARY LIQUIDATION:

The Security Savings Bank, Brigham City, Utah.

AUTHORIZED TO ACCEPT DRAFTS AND BILLS OF EXCHANGE
UP TO 100 PER CENT OF CAPITAL AND SURPLUS:

American-Liberty Bank & Trust Co., New Orleans, La.

PERMISSION GRANTED TO EXERCISE TRUST POWERS:

The First National Bank of Dover, Dover, Delaware.
The First National Bank of Newtown, Newtown, Penna.
The National Bank of Baltimore, Baltimore, Md.
The First National Bank of Terre Haute, Terre Haute, Ind.
The Orange National Bank, Orange, Texas.
The First National Bank of Long Beach, Long Beach, Calif.

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FEDERAL RESERVE BOARD

WASHINGTON

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January 4, 1922.

SUBJECT: Certification of Payment of Franchise Tax to
Treasury Department.

Dear Sir:

In accordance with the procedure previously adopted by the Treasury Department, in connection with the certification as to payment by Federal Reserve Banks to the Treasurer of the United States of amounts on account of franchise tax, the Federal Reserve Board, at the request of the Treasury Department, asks that your auditor prepare a statement of income and expenses covering the calendar year 1921, showing the manner in which the amount due the United States on account of franchise tax was determined. It is requested that when the statement has been prepared the following form of certification be typed on its back, executed by your auditor and countersigned by a senior executive officer. The statement should then be forwarded to the Secretary of the Treasury, Division of Public Moneys, Washington.

"I hereby certify that I have examined this statement of profit and loss account of the Federal Reserve Bank of _____ for the calendar year 1921; that the items in such account are correct as shown by the records of such Federal Reserve Bank; that such profit and loss statement shows all items of gain during the period; that all deductions made from gross and net earnings in such statement appear to be fair, just and reasonable in all respects, and that the amount due the United States as shown thereon is correct in accordance with the provisions of Section 7 of the Federal Reserve Act approved December 23, 1913, as amended by the act of March 3, 1919."

Auditor, Federal Reserve
Bank of _____

COUNTERSIGNED:

The Treasury Department advises the Board that it is the usual custom of administrative officers of the Government having charge of the collection of revenue to make such verifications of collections as will insure the Government's receipt of the correct amount due, and that it desires the certified copy of your statement requested in order to make such verifications therefrom.

Very truly yours,

W. W. Hoxton,
Secretary.

TO THE GOVERNORS OF ALL FEDERAL RESERVE BANKS, EXCEPT DALLAS.

FEDERAL RESERVE BOARD

WASHINGTON

X-3292

January 4, 1922.

SUBJECT: Code words to be used in connection with Settlement through Gold Settlement Fund of shipments of "other" Federal Reserve notes.

Dear Sir:

With further reference to the Board's letter of December 31, 1921 (X-3290) describing the plan for the settlement through the Gold Settlement Fund of "other" Federal Reserve notes, it will be noted that certain code words were adopted by the Board for use in connection with the new plan of settlement to go into effect February 1st.

It is now requested that the code words CHURCH, CHURNING and CIDER, designated in that letter, be added to the bottom of page 48 of the new code book to follow the code word CHUMMY, already inserted, the code words DRUID and DRUMMER be added to the bottom of page 77, following the code word DROWSY and that the code word DUCKBILL be added to the bottom of page 78 following the code word DUCHY.

It will, of course, be understood that the use of the code words CHUMMY and CHURL listed on page 48 of the new code book and used at the present time in connection with direct advices to the Federal Reserve banks of shipments of fit and unfit Federal Reserve notes will be discontinued after February 1st and it is requested that these words be cancelled in your Bank's copies of the Telegraphic Code, when the new plan of settlement becomes effective.

Very truly yours,

Walter L. Eddy,
Assistant Secretary.

GOVERNORS OF ALL FEDERAL RESERVE BANKS.

	1	2	5	10	20	50	100	500	1,000	Total
BOSTON.....										
NEW YORK.....										
BUFFALO.....										
PHILADELPHIA.....										
CLEVELAND.....										
CINCINNATI.....										
PITTSBURGH.....										
RICHMOND.....										
BALTIMORE.....										
ATLANTA.....										
NASHVILLE.....										
BIRMINGHAM.....										
NEW ORLEANS.....										
JACKSONVILLE.....										
CHICAGO.....										
DETROIT.....										
ST. LOUIS.....										
LITTLE ROCK.....										
LOUISVILLE.....										
MEMPHIS.....										
MINNEAPOLIS.....										
HELENA.....										
KANSAS CITY.....										
DENVER.....										
OMAHA.....										
OKLAHOMA CITY.....										
DALLAS.....										
EL PASO.....										
HOUSTON.....										
SAN FRANCISCO.....										
SEATTLE.....										
SPOKANE.....										
PORTLAND.....										
SALT LAKE CITY.....										
LOS ANGELES.....										
TREASURER.....										

FEDERAL RESERVE BOARD
WASHINGTON

31

X-3294

January 6, 1922.

SUBJECT: Reports from Clearing Houses of Total Debits to Individual Account.

Dear Sir:

At the last annual Convention of the American Bankers Association held in Los Angeles, the following resolution was passed by the Clearing House Section:

Whereas, at a meeting of the Clearing House Section of the American Bankers Association at its annual convention held at Los Angeles, it was the sense of the meeting that it should take definite action on the question of the abolishment of the publication of bank clearings, and in lieu thereof that total debits, which it is believed represent more clearly the total volume of business transacted, be published, and

Whereas, it was the sense of the meeting that the publication of such information should be discontinued, that the information should be furnished to the managers of the clearing houses, not only by member banks, but by non-clearing institutions - therefore, be it Resolved, that the Clearing House Section of the American Bankers Association heartily endorse the stand taken by the St. Paul Clearing House Association, which on September 28, 1921, adopted the following resolution:

Resolved, That beginning January 1, 1922, or such earlier date as may be generally agreed upon, the members of this Association and such other banks as clear through a member bank, be required to report to the manager each day at time of clearing, the total of their individual debits, of the preceding day, with the view, on the part of this Association, of using such individual debits in publications hereafter, in lieu of clearing figures, it being the belief that total debits more clearly represent the volume of business transacted in this City, and be it further

Resolved, That the Clearing House Section recommends that every clearing house association adopt a resolution of similar purport so that after January 1, 1922, the publication of total daily transactions shall be given the publicity now given to daily clearings.

The Board understands that it is the desire of the Clearing House Section to cooperate with the Board in compiling total debits to individual accounts, and the Secretary of the Section under date of December 15 requested all clearing house managers to report weekly to the Federal Reserve Bank of their District their total debits to individual accounts. The Board hopes that the manager of each clearing house association in your District will make these reports to your Bank. For your information there is enclosed a list of all clearing house associations in your District which are not now submitting weekly reports and the Board requests that you communicate with the manager of each of these associations with a view of having him telegraph to your Bank (at the expense of the Board) each week beginning with February 1, 1922, the total amount of debits to individual accounts made by banks which are members of the clearing house and banks which clear through clearing house members, i.e., so called clearing non-members.

The Board has been advised that the Clearing House Section, American Bankers Association, has sent to the manager of each clearing house association a form upon which reports should be made to the Federal Reserve Banks, and that there are printed on the form instructions regarding the charges which should be included in the reports. The instructions referred to provide for the inclusion of debits to expense and miscellaneous accounts in addition to other debits required to be reported under instructions issued by the Board. In communicating with the managers of the clearing house associations it is requested that you advise them that debits to individual accounts should represent charges to accounts of depositors other than banks and should include only the following items:

"Debits to accounts of individuals, firms and corporations, and of the United States Government including War Loan deposit accounts, also debits to savings accounts, payments from trust accounts and certificates of deposits paid."

Debits in settlement of clearing house balances, payments of cashiers' checks, charges to expense and miscellaneous accounts, corrections and similar charges must not be included in figures of debits to individual accounts.

At the present time approximately 170 clearing house centers are reporting this information and we hope to increase this number materially through the cooperation of the Clearing House Section, their records showing 275 clearing house associations in the country.

Very truly yours,

G o v e r n o r .

(Enclosures)

To all Federal Reserve Agents.

FEDERAL RESERVE BOARD

WASHINGTON

X-3295
January 5, 1922.

SUBJECT: Building Operations of Federal Reserve Banks

Dear Sir:

On December 19, 1921, an amendment was proposed by Senator Harris of Georgia to Senate Bill 2263, which by agreement will come to a vote on the 17th instant, reading as follows: "The Federal Reserve Board shall have no authority hereafter to enter into any contract or contracts for the erection of any building of any kind or character, or to authorize the erection of any building, without the consent of Congress having previously been given therefor in express terms".

The Federal Reserve Board has never assumed that it has authority to enter into any contract for the erection of any kind of building. The directors of Federal Reserve Banks are, however, empowered under the provisions of Section 4 of the Federal Reserve Act "to make contracts" and "to exercise**all powers specifically granted by the provisions of this Act and such incidental powers as shall be necessary to carry on the business of banking within the limitations prescribed by this Act".

The Board has always taken the view that the law authorizes directors of Federal Reserve Banks to provide their banks and branches with such buildings and equipment as may be necessary for the proper conduct of their business. There is nothing in the Federal Reserve Act that requires the specific approval of building contracts by the Federal Reserve Board, but under its power of general supervision (paragraph j, Section 11) the Board has required all Federal Reserve Banks to submit for its consideration all options for the purchase of real estate, all plans and specifications for buildings and vaults and has advised the banks that they should not enter into any contracts involving investments of this kind until the Board had had an opportunity to make any suggestions or offer any objections as it might deem proper.

In some cases buildings of Federal Reserve Banks and branches have been completed and in others contracts have been let which must necessarily be carried out. Although the amounts involved in the erection of Federal Reserve Bank buildings represent investments of the banks' own funds and not the expenditure of public moneys, the Board feels, nevertheless, that no attempt should be made by any Federal Reserve Bank to anticipate any action by Congress which may tend to restrict or modify its present authority and you are requested to advise your directors at once that the Board advises that no new contracts for the construction of a building be entered into by them until there has been opportunity of ascertaining the disposition of Congress toward the amendment above quoted.

Very truly yours,

(Signed) W. P. G. HARDING,

G o v e r n o r .

CHAIRMEN OF ALL F.R.BANKS

FEDERAL RESERVE BOARD

WASHINGTON

X-3296

January 5, 1922.

SUBJECT: Building Operations of Federal Reserve Banks.

Dear Mr. Chairman:

I am enclosing for your information copy of a letter which the Board is sending today to the Chairman of the board of directors of each Federal Reserve Bank.

The buildings of the Federal Reserve Banks of Richmond, Dallas and Kansas City have been completed and they are now being occupied by the banks. The Federal Reserve Bank of Atlanta has outgrown the building which it is now occupying and the work of constructing an annex large enough to meet present requirements is now well under way. The building of the Federal Reserve Bank of Boston is nearly completed and some departments of the Bank have already been moved into the new building. The buildings of the Federal Reserve Banks of Chicago and San Francisco are also well advanced and it is expected they will be ready for occupancy within the next few months. Contracts have been let in connection with the construction of buildings of the Federal Reserve Banks of New York and Cleveland which cannot now be cancelled and the work of construction must accordingly proceed. The Federal Reserve Bank of Philadelphia was able to purchase a building which after certain changes and the addition of a large vault is suitable for its purposes and this building is occupied by the Bank. The contracts for the foundations of the building for the Federal Reserve Bank of Minneapolis were let some time ago and the foundations will be completed within the next ten days. No contracts, however, have yet been let for the superstructure. No contracts have so far been let for the building of the Federal Reserve Bank of St. Louis.

The Federal Reserve Bank of Cleveland has completed repairs and additions to the building of its Branch at Pittsburgh, and has acquired a lot for the use of its Cincinnati Branch, but no contracts have been let for the construction of the building and that Branch is still occupying leased quarters which are very inadequate. The Federal Reserve Bank of Richmond some years ago purchased a building for the use of its Baltimore Branch, which has proved to be entirely too small and more than a year ago it acquired a larger building site in that city. It is proposed to erect a building upon the site so acquired and upon its completion to sell the building which is now being occupied by the Baltimore Branch, but no contracts have been let for the new building. The Federal Reserve Bank of Atlanta has purchased a building for the use of its Branch at Nashville, which must, however, be remodeled before it can be utilized, and no contracts have yet been let for these necessary changes. The Atlanta Bank has purchased a site upon which it proposes to erect a building for the use of its Branch in New Orleans, but the construction contracts have not yet been let. It has also purchased a lot for the use of its Jacksonville Branch, but has not yet entered into any contracts for the construction of the building. The Detroit Branch of the Federal Reserve Bank of Chicago is occupying leased quarters which are entirely inadequate and unsuitable in many respects, and the Federal Reserve Bank of Chicago has recently bought the ground in Detroit upon which it proposes to erect a

building, but no contracts for construction have yet been let. The Federal Reserve Bank of St. Louis more than a year ago purchased a lot upon which it proposes to construct a building for the use of its Branch in Little Rock. Plans have been made but contracts have not yet been let. The St. Louis Bank purchased a building in Louisville which has proved to be entirely too small and it has since acquired 50 feet of ground adjoining on which it proposes to construct a two-story annex uniform in style with the present building. Contracts for construction have not yet been let. The Federal Reserve Bank of Minneapolis completed some time ago its building for the Branch at Helena, Montana. The Federal Reserve Bank of Kansas City has acquired a lot in Denver but has not yet let contracts for the construction of a building which is badly needed. It has not yet let contracts for the building to be used by its Branch in Oklahoma City but has purchased a building for the use of its Omaha Branch. The Federal Reserve Bank of Dallas completed about two years ago the building for its Branch at El Paso and the work of construction on the building for its Branch at Houston is well under way. The Federal Reserve Bank of San Francisco about a year ago bought a lot for the use of its Salt Lake City Branch but has not yet begun the preparation of plans for a building and consequently has let no contracts. No real estate has yet been bought for the other Branches of Federal Reserve Banks; Buffalo (New York), Birmingham (Atlanta), Memphis (St. Louis) and Portland, Seattle, Spokane and Los Angeles (San Francisco), which are occupying leased quarters which answer the purpose for the time being, but it is evident that ultimately all these Branches must either be given more adequate quarters or must be abandoned.

Since the Sub-Treasuries were abolished, the Federal Reserve Banks have been exercising the functions formerly performed by the Sub-Treasuries and these functions have been extended wherever present facilities admit to the branches. In view of the large amounts of actual cash and securities held by all Federal Reserve Banks and branches, it is very important that they be provided with proper vault facilities. Several of the Federal Reserve Banks are very anxious to let contracts and proceed with the work of construction of buildings, which are urgently needed, but the Board is not willing that anything should be done to defeat the intent of Congress. As a vote will be taken on the pending amendment at an early date, it is not thought that any serious inconvenience will result from awaiting an expression of the will of Congress.

It seems proper to call your attention to the fact that full and detailed reports of the building operations of Federal Reserve Banks have been made to Congress in the annual report of the Federal Reserve Board each year, as well as in the Board's reply of October 31, 1921 to Senate Resolution 153, which has been published as Senate Document 75.

Very truly yours,

(Signed) W. P. G. HARDING

G o v e r n o r .

Chairmen of Banking and Currency
Committees of Senate and House.

FEDERAL RESERVE BOARD

WASHINGTON

36

X-3297
January 1, 1922.

Dear

In accordance with the plan of classifying and rating employees of the Board, made effective July 1, 1920, there is enclosed herewith a notice of your rating and relative standing in classification as based upon this rating, and your salary as of January 1, 1922, as approved by the Federal Reserve Board.

Very truly yours,

Walter L. Eddy,

Assistant Secretary.

FEDERAL RESERVE BOARD
GOLD SETTLEMENT FUND

X-3298
Washington, D. C.
January 6, 1922.

Summary of transactions for period ending January 5, 1922

(CONFIDENTIAL)

Federal Reserve Bank of	Balance last statement Dec. 29, 1921.	Gold Withdrawals	Gold Deposits	Aggregate withdrawals and transfers to Agent's fund	Aggregate deposits and transfers from Agent's fund	TRANSFERS	
						Debits	Credits
Boston	\$ 41,400,760.07	\$ 628,223.75	\$ -	\$ 628,223.75	\$ -	\$ 4,000,000.00	\$ -
New York	139,388,505.58	1,353,084.33	6,181,400.00	31,353,084.33	6,181,400.00	2,000,000.00	-
Philadelphia	57,381,267.69	813,039.31	11,000,600.00	10,813,039.31	11,000,600.00	-	8,000,000.00
Cleveland	45,528,331.21	1,228,027.77	200.00	1,228,027.77	5,000,200.00	3,000,000.00	-
Richmond	21,625,695.73	831,470.83	3,195,000.00	2,831,470.83	3,195,000.00	-	2,000,000.00
Atlanta	14,119,553.62	724,043.36	23,152.41	724,043.36	1,023,152.41	2,000,000.00	-
Chicago	84,071,620.96	1,231,967.39	32,200.00	1,231,967.39	32,200.00	2,000,000.00	-
St. Louis	22,518,639.58	559,165.75	1,017.53	559,165.75	1,017.53	-	-
Minneapolis	28,261,265.34	435,605.08	-	7,435,605.08	-	-	-
Kansas City	32,167,967.64	650,407.74	1,002,000.30	650,407.74	1,002,000.30	-	-
Dallas	10,873,026.19	665,292.76	5,600.00	665,292.76	5,600.00	-	-
San Francisco	44,636,033.40	1,045,701.87	2,000,000.00	6,045,701.87	3,920,000.00	-	3,000,000.00
Total	\$ 541,972,667.01	\$ 10,166,029.94	\$ 23,441,170.24	\$ 64,166,029.94	\$ 31,361,170.24	\$ 13,000,000.00	\$ 13,000,000.00

Federal Reserve Bank of	Settlements from December 30, 1921 to January 5, 1922 inclusive.				Balance in fund at close of business Jan. 5, 1922.	Summary of changes in ownership of gold by banks through transfers and settlements.	
	Net Debits	Total Debits	Total Credits	Net Credits		Decrease	Increase
Boston	\$ -	\$ 93,881,219.20	\$ 106,095,721.48	\$ 12,214,502.28	\$ 48,987,038.60	\$ -	\$ 8,214,502.28
New York	-	355,574,609.25	363,487,252.24	7,912,642.99	120,129,464.24	-	5,912,642.99
Philadelphia	6,570,333.18	124,788,255.66	118,217,922.48	-	58,998,495.20	-	1,429,666.82
Cleveland	3,358,033.78	95,822,028.51	92,463,994.73	-	42,942,469.66	6,358,033.78	-
Richmond	4,114,199.54	100,669,468.65	96,555,269.11	-	19,875,025.36	2,114,199.54	-
Atlanta	-	35,267,195.44	36,312,394.07	1,045,198.63	13,463,861.30	954,801.37	-
Chicago	-	172,658,339.16	174,076,186.09	1,417,846.93	82,289,700.50	582,153.07	-
St. Louis	-	82,711,792.88	85,521,813.03	2,810,020.15	24,770,511.51	-	2,810,020.15
Minneapolis	-	19,980,256.94	24,089,454.30	4,109,197.36	24,934,857.62	-	4,109,197.36
Kansas City	2,295,156.03	60,879,286.86	58,584,130.83	-	30,224,404.17	2,295,156.03	-
Dallas	1,772,846.26	39,988,680.46	38,215,834.20	-	8,440,487.17	1,772,846.26	-
San Francisco	11,398,839.55	52,756,730.01	41,357,890.46	-	34,111,491.98	8,398,839.55	-
Total	\$ 29,509,408.34	\$ 1,234,977,863.02	\$ 1,234,977,863.02	\$ 29,509,408.34	\$ 509,167,807.31	\$ 22,476,029.60	\$ 22,476,029.60

FEDERAL RESERVE AGENTS' FUND

X-3298 a
Washington, D. C.
January 6, 1922.

Summary of transactions for period ending January 5, 1922.

(CONFIDENTIAL)

Federal Reserve Agent at	Balance last statement Dec. 29, 1921.	Gold Withdrawals	Gold Deposits	Withdrawals for transfers to bank	Deposits through transfers from bank	Total Withdrawals	Total Deposits	Balance at close of business Jan. 5, 1922.
Boston	\$ 145,000,000	\$ 10,000,000	\$ 10,000,000	\$ -	\$ -	\$ 10,000,000	\$ 10,000,000	\$ 145,000,000
New York	301,000,000	10,000,000	-	-	30,000,000	10,000,000	30,000,000	321,000,000
Philadelphia	130,389,260	-	-	-	10,000,000	-	10,000,000	140,389,260
Cleveland	145,000,000	-	-	5,000,000	-	5,000,000	-	140,000,000
Richmond	28,595,000	-	3,700,000	-	2,000,000	-	5,700,000	34,295,000
Atlanta	40,000,000	4,000,000	-	1,000,000	-	5,000,000	-	35,000,000
Chicago	297,644,500	7,000,000	20,000,000	-	-	7,000,000	20,000,000	310,644,500
St. Louis	56,100,000	2,000,000	2,000,000	-	-	2,000,000	2,000,000	56,100,000
Minneapolis	2,200,000	-	-	-	7,000,000	-	7,000,000	9,200,000
Kansas City	26,360,000	-	1,000,000	-	-	-	1,000,000	27,360,000
Dallas	2,234,000	-	-	-	-	-	-	2,234,000
San Francisco	203,661,500	7,000,000	-	1,920,000	5,000,000	8,920,000	5,000,000	199,741,500
Total	\$ 1,378,184,260	\$ 40,000,000	\$ 36,700,000	\$ 7,920,000	\$ 54,000,000	\$ 47,920,000	\$ 90,700,000	\$ 1,420,964,260

FEDERAL RESERVE BOARD
GOLD SETTLEMENT FUND

X-3299
Washington, D. C.
January 13, 1922.

Summary of transactions for period ending January 12, 1922.

(CONFIDENTIAL)

Federal Reserve Bank of	Balance last statement Jan. 5, 1922.	Gold Withdrawals	Gold Deposits	Aggregate withdrawals and transfers to Agent's fund	Aggregate deposits and transfers from Agent's fund	TRANSFERS	
						Debits	Credits
Boston	\$ 48,987,038.60	\$ 965,800.00	\$ -	\$ 965,300.00	\$ 5,000,000.00	\$ 28,474,634.03	\$ -
New York	120,129,464.24	2,099,287.61	14,260,400.00	32,099,287.61	14,260,400.00	-	22,474,634.03
Philadelphia	58,998,495.20	1,125,695.25	8,500,244.25	1,125,695.25	8,500,244.25	-	2,000,000.00
Cleveland	42,942,469.66	1,579,046.75	1,001,800.00	1,579,046.75	1,001,800.00	-	1,000,000.00
Richmond	19,875,025.36	936,912.39	1,500,000.00	936,912.39	1,500,000.00	-	5,000,000.00
Atlanta	13,463,861.30	817,628.15	500.00	817,628.15	1,000,500.00	3,000,000.00	-
Chicago	82,289,700.50	1,150,670.78	900.00	1,150,670.78	900.00	4,000,000.00	-
St. Louis	24,770,511.51	752,676.33	501,250.00	752,676.33	501,250.00	-	2,000,000.00
Minneapolis	24,934,857.62	438,149.79	2,000,300.00	438,149.79	2,000,300.00	-	1,000,000.00
Kansas City	30,224,404.17	706,391.03	3,000,000.05	706,391.03	3,000,000.05	-	1,000,000.00
Dallas	8,440,487.17	758,902.33	1,500,300.00	758,902.33	1,500,300.00	-	1,000,000.00
San Francisco	34,111,491.98	951,388.48	10,502,677.41	8,951,388.48	12,799,177.41	-	-
Total	\$ 509,167,807.31	\$ 12,282,548.89	\$ 42,768,371.71	\$ 50,282,548.89	\$ 51,064,871.71	\$ 35,474,634.03	\$ 35,474,634.03

Federal Reserve Bank of	Settlements from January 6, 1922 to January 12, 1922 inclusive.				Balance in fund at close of business Jan. 12, 1922.	Summary of changes in ownership of gold by banks through transfers and settlements.	
	Net Debits	Total Debits	Total Credits	Net Credits		Decrease	Increase
Boston	\$ 413,560.40	\$ 107,292,764.61	\$ 106,879,203.61	\$ -	\$ 24,133,044.17	\$ 28,888,194.43	\$ -
New York	-	359,265,394.41	370,804,754.00	11,539,359.59	136,304,570.25	-	34,013,993.62
Philadelphia	8,404,656.03	122,118,495.09	113,713,839.06	-	59,968,388.17	6,404,656.03	-
Cleveland	-	92,856,624.08	95,931,869.15	3,075,245.07	46,440,467.98	-	4,075,245.07
Richmond	7,464,494.20	108,812,746.77	101,348,252.57	-	17,973,618.77	2,464,494.20	-
Atlanta	-	45,399,887.19	47,497,019.64	2,097,132.45	12,743,865.60	902,867.55	-
Chicago	-	171,485,392.57	181,749,843.14	10,264,450.57	87,404,380.29	-	6,264,450.57
St. Louis	257,099.61	94,490,345.49	94,233,245.88	-	26,261,985.57	-	1,742,900.39
Minneapolis	1,868,251.40	27,950,207.66	26,081,956.26	-	25,628,756.43	868,251.40	-
Kansas City	1,815,970.76	73,436,976.73	71,621,005.97	-	31,702,042.43	815,970.76	-
Dallas	3,091,680.54	47,096,568.14	44,004,887.60	-	7,090,204.30	2,091,680.54	-
San Francisco	3,660,474.74	50,521,259.76	46,860,785.02	-	34,298,806.17	3,660,474.74	-
Total	\$ 26,976,187.68	\$ 1,300,726,661.90	\$ 1,300,726,661.90	\$ 26,976,187.68	\$ 509,950,130.13	\$ 46,096,589.65	\$ 46,096,589.65

FEDERAL RESERVE AGENTS' FUND

X-3299 a
Washington, D. C.
January 13, 1922.

Summary of transactions for period ending January 12, 1922.

(CONFIDENTIAL)

Federal Reserve Agent at	Balance last statement Jan. 5, 1922.	Gold Withdrawals	Gold Deposits	Withdrawals for transfers to bank	Deposits through transfers from bank	Total Withdrawals	Total Deposits	Balance at close of business Jan. 12, 1922.
Boston	\$ 145,000,000	\$ -	\$ 10,000,000	\$ 5,000,000	\$ -	\$ 5,000,000	\$ 10,000,000	\$ 150,000,000
New York	321,000,000	-	-	-	30,000,000	-	30,000,000	351,000,000
Philadelphia	140,389,260	5,000,000	-	-	-	5,000,000	-	135,389,260
Cleveland	140,000,000	-	-	-	-	-	-	140,000,000
Richmond	34,295,000	3,000,000	-	-	-	3,000,000	-	31,295,000
Atlanta	35,000,000	-	-	1,000,000	-	1,000,000	-	34,000,000
Chicago	310,644,500	8,000,000	-	-	-	8,000,000	-	302,644,500
St. Louis	56,100,000	2,000,000	3,000,000	-	-	2,000,000	3,000,000	57,100,000
Minneapolis	9,200,000	-	-	-	-	-	-	9,200,000
Kansas City	27,360,000	2,000,000	-	-	-	2,000,000	-	25,360,000
Dallas	2,234,000	-	-	-	-	-	-	2,234,000
San Francisco	199,741,500	-	-	2,296,500	8,000,000	2,296,500	8,000,000	205,445,000
Total	\$ 1,420,964,260	\$ 20,000,000	\$ 13,000,000	\$ 8,296,500	\$ 38,000,000	\$ 28,296,500	\$ 51,000,000	\$ 1,443,667,760

FEDERAL RESERVE BOARD

WASHINGTON

X-3302
January 14, 1922.

Subject: Reports of Currency Transactions - Form 160.

Dear Sir:

The Treasury Currency Committee, appointed following the recent Governors' Conference, is desirous of obtaining from the Federal Reserve Banks reports by calendar months of their currency transactions. The Committee has approved a form of report identical with the Board's Form 160, and in order to obviate the necessity of the Federal Reserve Banks having to make two reports each month - one report to the Board covering transactions during a period ending with the last Friday of the month, and one report to the Currency Committee covering transactions during the calendar month - all Federal Reserve Banks are requested to have their next report to the Board, Form 160, cover transactions during the period from Friday, December 30, 1921 to Tuesday, January 31, 1922 inclusive, and to render in duplicate thereafter reports covering transactions during calendar months. The duplicate copies of the report will be transmitted by the Board to the Treasury Currency Committee.

Very truly yours,

G o v e r n o r .

To all Governors
Copies to Chairmen.

TREASURY DEPARTMENT
WASHINGTON

January 13, 1922.

The Governor
Federal Reserve Board.

Sir:

You are advised that the Department has referred to the Comptroller General of the United States, Treasury Department Division, for settlement, the account of the Bureau of Engraving and Printing for preparing Federal Reserve notes during the period December 1 to December 31, 1921, amounting to \$257,518.52, as follows:-

<u>Federal Reserve Notes, 1914</u>						
	<u>\$5</u>	<u>\$10</u>	<u>\$20</u>	<u>\$50</u>	<u>\$100</u>	<u>Total</u>
Boston.....	52,000	33,000	120,000	1,000	--	206,000
New York	1,020,000	856,000	372,000	--	--	2,248,000
Philadelphia,..	285,000	149,000	63,000	--	1,000	498,000
Cleveland.....	131,000	87,000	93,000	--	--	311,000
Richmond.....	137,000	188,000	69,000	4,000	1,000	399,000
Atlanta.....	97,000	28,000	18,000	2,000	--	145,000
Chicago.....	215,000	110,000	127,000	--	--	452,000
St. Louis.....	95,000	88,000	42,000	2,000	1,000	228,000
Minneapolis....	61,000	44,000	14,000	2,000	1,000	122,000
Kansas City....	91,000	50,000	33,000	--	--	174,000
Dallas.....	--	--	3,000	--	--	3,000
San Francisco..	191,000	109,000	106,000	--	2,000	408,000
	<u>2,375,000</u>	<u>1,742,000</u>	<u>1,060,000</u>	<u>11,000</u>	<u>6,000</u>	<u>5,194,000</u>

5,194,000 sheets at \$49.58 per M ... \$257,518.52

The charges against the several Federal Reserve Banks are as follows:-

	<u>Sheets</u>	<u>Compen- sation</u>	<u>Plate Printing</u>	<u>Materials</u>	<u>Inc. Com- pensation</u>	<u>Total</u>
Boston.....	206,000	3,429.90	3,289.82	2,515.26	978.50	10,213.48
New York....	2,248,000	37,429.20	35,900.56	27,448.08	10,678.00	111,455.84
Philadelphia	498,000	8,291.70	7,953.06	6,080.58	2,365.50	24,690.84
Cleveland...	311,000	5,178.15	4,966.67	3,797.31	1,477.25	15,419.38
Richmond....	399,000	6,643.35	6,372.03	4,871.79	1,895.25	19,782.42
Atlanta.....	145,000	2,414.25	2,315.65	1,770.45	688.75	7,189.10
Chicago.....	452,000	7,525.80	7,218.44	5,518.92	2,147.00	22,410.16
St. Louis...	228,000	3,796.20	3,641.16	2,783.88	1,083.00	11,304.24
Minneapolis.	122,000	2,031.30	1,948.34	1,489.62	579.50	6,048.76
Kansas City.	174,000	2,897.10	2,778.78	2,124.54	826.50	8,626.92
Dallas.....	3,000	49.95	47.91	36.63	14.25	148.74
San Francisco	408,000	6,793.20	6,515.76	4,981.68	1,938.00	20,228.64
	<u>5,194,000</u>	<u>\$86,480.10</u>	<u>\$82,948.18</u>	<u>\$63,418.74</u>	<u>\$24,671.50</u>	<u>257,518.52</u>

The Bureau appropriations will be reimbursed in the above amount from the indefinite appropriation "Preparation and Issue of Federal Reserve Notes, Reimbursable", and it is requested that your board cause such indefinite appropriation to be reimbursed in like amount.

By direction of the Secretary:

Respectfully,
S. P. Gilbert, Jr.,
Under Secretary.

X-3303a

TREASURY DEPARTMENT
WASHINGTON

January 13, 1922.

The Governor
Federal Reserve Board.

Sir:

You are advised that the Department has referred to the Comptroller General of the United States, Treasury Department Division, for settlement, the account of the Bureau of Engraving and Printing for preparing Federal Reserve notes during the period December 1 to December 31, 1921, amounting to \$24.79, as follows:

Federal Reserve Notes, 1918

	<u>\$500</u>	<u>\$10,000</u>	<u>Total</u>
Philadelphia	100	--	100
San Francisco	--	400	400
	100	400	500

500 sheets at \$49.58 per M \$24.79

The charges against the several Federal Reserve Banks are as follows:

	<u>Sheets</u>	<u>Compen- sation</u>	<u>Plate Printing</u>	<u>Materials</u>	<u>Inc. Com- pensation</u>	<u>Total</u>
Philadelphia...	100	\$1.66	\$1.60	\$1.22	\$.48	\$4.96
San Francisco..	400	6.66	6.39	4.88	1.90	19.83
	500	\$8.32	\$7.99	\$6.10	\$2.38	\$24.79

The Bureau appropriations will be reimbursed in the above amount from the indefinite appropriation "Preparation and Issue of Federal Reserve Notes, Reimbursable", and it is requested that your board cause such indefinite appropriation to be reimbursed in like amount.

By direction of the Secretary:

Respectfully,

S. P. Gilbert, Jr.,
Under Secretary.

OFFICERS AND DIRECTORS OF FEDERAL RESERVE BANKS

X-3304

District No. 1 - Federal Reserve Bank of Boston.

(Frederic H. Curtiss, Chairman and Federal Reserve Agent, Allen Hollis, Deputy Chairman, Chas. A. Morse, Governor.)

DIRECTOR	RESIDENCE	BUSINESS AFFILIATIONS	TERM EXPIRES Dec. 31.
<u>Class A.</u>			
Frederick S. Chamberlain	New Britain, Conn.	Cashier, New Britain Nat. Bk.	1922
Thomas P. Beal	Boston, Mass	Pres. 2nd Natl. Bank, Boston	1923
Edward S. Kennard	Rumford, Maine	Cashier, Rumford Natl. Bk.	1924
<u>Class B.</u>			
E. R. Morse	Proctor, Vt.	Treas. Vermont Marble Co.	1922
Philip R. Allen	E. Walpole, Mass	Bird & Son Inc. Paper Co.	1923
Charles G. Washburn	Worcester, Mass	Trustee and Manufacturer	1924
<u>Class C.</u>			
Jesse H. Metcalf	Providence, R. I.	Manufacturer	1922
Frederic H. Curtiss	Boston, Mass		1923
Allen Hollis	Concord, N. H.	Lawyer	1924

District No. 2 - Federal Reserve Bank of New York

(Pierre Jay, Chairman and Federal Reserve Agent, Wm. L. Saunders, Deputy Chairman, Benjamin Strong, Governor)

<u>Class A.</u>			
Jas. S. Alexander	New York City	Pres. Natl. Bk. of Commerce	1922
R. H. Treman	Ithaca, N. Y.	Pres. Tompkins Co. Natl. Bk.	1923
Charles Smith	Oneonta, N. Y.	Pres. Citizens Natl. Bk.	1924
<u>Class B.</u>			
Chas A. Stone,	New York City	Pres. Amer. Internat'l. Corp.	1922
Richard H. Williams	Madison, N. J.	Williams & Peters (Coal) Co.	1923
Frank L. Stevens	North Hoosick, N.Y.	Manufacturer	1924

District No. 2 - Federal Reserve Bank of New York (Cont'd.)

DIRECTOR	RESIDENCE	BUSINESS AFFILIATIONS	TERM EXPIRES Dec. 31.
<u>Class C.</u>			
Pierre Jay	New York City		1922
Wm. L. Saunders	New York City	Chairman-Dir. Ingersoll-Rand	1923
C. M. Woolley	New York City	Pres. American Radiator Co.	1924

District No. 3 - Federal Reserve Bank of Philadelphia

(Richard L. Austin, Chairman and Federal Reserve Agent, H. B. Thompson, Deputy Chairman, Geo. W. Norris, Governor.)

Class A.

M. J. Murphy	Clarks Green, Pa.	c/o A. B. Leach & Co. N. Y.	1922
Jos. Wayne, Jr.	Philadelphia, Pa.	Pres. Girard Natl. Bank	1923
Francis Douglas	Wilkes-Barre, Pa.	Cashier, First Natl. Bank	1924

Class B.

Alba B. Johnson	Philadelphia, Pa.	V-Pres. Southwark Fdy. & Mach Co	1922
Edwin S. Stuart	Philadelphia, Pa.	Merchant	1923
Charles K. Haddon	Camden, N. J.	Pres. Victor Talking Machine Co	1924

Class C.

H. B. Thompson	Wilmington, Del.	Pres. U.S. Finishing Co. N. Y.	1922
R. L. Austin	Philadelphia, Pa.		1923
Chas. C. Harrison	Philadelphia, Pa.	c/o Harrison & Co. Bankers	1924

District No. 4 - Federal Reserve Bank of Cleveland

(D. C. Wills, Chairman and Federal Reserve Agent, Lewis Blair Williams, Deputy Chairman, E. R. Fancher, Governor.)

Class A.

Chess Lambertson	Franklin, Pa.	V-Pres. Lambertson Natl. Bk.	1922
Robert Wardrop	Pittsburgh, Pa.	Peoples Natl. Bank	1923
O. N. Sams	Hillsboro, Ohio	Merchants National Bank	1924

Class B.

R. P. Wright	Erie, Pa.	Reed Mfg. Co.	1922
Thomas A. Combs	Lexington, Ky.	Combs Lumber Co.	1923
John Stambaugh	Youngstown, Ohio	Brier Hill Steel Co.	1924

District No. 4 - Federal Reserve Bank of Cleveland (Cont'd.)

DIRECTOR	RESIDENCE	BUSINESS AFFILIATIONS	TERM EXPIRES Dec. 31.
<u>Class C.</u>			
L. B. Williams	Cleveland, Ohio	Hayden, Miller & Co.	1922
D. C. Wills	Cleveland, Ohio		1923
W. W. Knight	Toledo, Ohio	Bostwick-Braun Co.	1924

District No. 5 - Federal Reserve Bank of Richmond.

(Caldwell Hardy, Chairman and Federal Reserve Agent, James A. Moncure
Deputy Chairman, George J. Seay, Governor.)

Class A.

John F. Bruton	Wilson, N. C.	Pres. First National Bank	1922
L. E. Johnson	Alderson, W. Va.	Pres. First National Bank	1923
Charles E. Rieman	Baltimore, Md.	Pres. Western National Bank	1924

Class B.

Edwin C. Graham	Washington, D. C.	Pres. Natl. Elec. Supply Co.	1922
D. R. Coker	Hartsville, S. C.	Merchant and Planter	1923
Edmund Strudwick	Richmond, Va.	Pres. Atlantic Life Ins. Co.	1924

Class C.

James A. Moncure	Richmond, Va.	Sec-Treas. Richmond Guano Co.	1922
Caldwell Hardy	Richmond, Va.		1923
Frederic A. Delano	Washington, D. C.	Receiver	1924

District No. 6 - Federal Reserve Bank of Atlanta.

(Joseph A. McCord, Chairman and Federal Reserve Agent, W. H. Kettig
Deputy Chairman, M. B. Wellborn, Governor.)

Class A.

Oscar Newton	Jackson, Miss.	Pres. Jackson State Natl. Bank	1922
P. R. Kittles	Sylvania, Ga.	Pres. Natl. Bank of Sylvania	1923
John K. Ottley	Atlanta, Ga.	V-P Fourth National Bank	1924

Class B.

W. H. Hartford	Nashville, Tenn	Hartford Hosiery Co.	1922
Leon C. Simon	New Orleans, La.	Pres. Kohn, Weil & Co. Inc.	1923
J. A. McCrary	Decatur, Ga.	Contractor and Engineer	1924

District No. 6 - Federal Reserve Bank of Atlanta (Cont'd.)

DIRECTOR	RESIDENCE	BUSINESS AFFILIATIONS	TERM EXPIRES Dec. 31.
<u>Class C.</u>			
W. H. Kettig	Birmingham, Ala.	Sou. Rep. Crane Co.	1922
Joseph A. McCord	Atlanta, Ga.		1923
Lindsey Hopkins	Atlanta, Ga.	Investment Banker	1924

District No. 7 - Federal Reserve Bank of Chicago.

(William A. Heath, Chairman and Federal Reserve Agent, James Simpson,
Deputy Chairman, James B. McDougal, Governor.)

Class A.

Chas H. McNider	Mason City, Iowa	Pres. of various banks	1922
E. L. Johnson	Waterloo, Iowa	Pres. Leavitt & Johnson Trust Co.	1923
George M. Reynolds	Chicago, Ill.	Pres. Con. & Commercial Natl. Bk.	1924

Class B.

J. W. Blodgett	Grand Rapids, Mich.	Chairman & treas. Blodgett Co.	1922
A. R. Erskine	South Bend, Ind.	Pres. Studebaker Company	1923
A. H. Vogel	Milwaukee, Wisc.	Pres Pfister & Vogel Leather Co.	1924

Class C.

F. C. Ball	Muncie, Ind.	Pres. Ball Bros. Mfg. Co.	1922
James Simpson	Chicago, Ill.	1st. V-P Marshall Field & Co.	1923
Wm. A. Heath	Chicago, Ill.		1924

District No. 8 - Federal Reserve Bank of St. Louis.

(William McC. Martin, Chairman and Federal reserve Agent, John W. Boehne,
Deputy Chairman, David C. Biggs, Governor.)

Class A.

Sam A. Ziegler	Albion, Ill.	Cashier, Albion Natl. Bank	1922
John G. Lonsdale	St. Louis, Mo.	Pres. Natl. Bank of Commerce	1923
J. C. Utterback	Paducah, Ky.	Pres. City National Bank	1924

Class B.

W. B. Plunkett	Little Rock, Ark.	Plunkett-Jarrell Gro. Co.	1922
LeRoy Percy	Greenville, Miss.	Attorney at Law	1923
Rolla Wells	St. Louis, Mo.	Retired	1924

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District No. 8 - Federal Reserve Bank of St. Louis (Cont'd).

DIRECTOR	RESIDENCE	BUSINESS AFFILIATIONS	TERM EXPIRES Dec. 31.
<u>Class C.</u>			
C. P. J. Mooney	Memphis, Tenn.	Editor "Commercial Appeal"	1922
John W. Boehne	Evansville, Ind.	Retired Capitalist	1923
Wm. McC. Martin	St. Louis, Mo.		1924

District No. 9 - Federal Reserve Bank of Minneapolis
(John H. Rich, Chairman and Federal Reserve Agent, Homer P. Clark,
Deputy Chairman, R. A. Young, Governor.)

Class A.

Theodore Wold	Minneapolis, Minn.	V-P Northwestern Natl. Bank	1922
J. C. Bassett	Aberdeen, S. D.	Pres. Aberdeen Natl. Bank	1923
Wesley C. McDowell	Marion, N. D.	Pres. First National Bank	1924

Class B.

F. R. Bigelow	St. Paul, Minn.	Insurance	1922
N. B. Holter	Helena, Mont.	Holter & Co. Hdwe.	1923
F. P. Hixon	LaCrosse, Wisc.	Hixon & Co. Inc.	1924

Class C.

C. Harry Benedict	Lake Linden, Mich.	Mining Engineer	1922
John H. Rich	Minneapolis, Minn.		1923
Homer P. Clark	St. Paul, Minn.	West Publishing Co.	1924

District No. 10 - Federal Reserve Bank of Kansas City
(Asa E. Ramsay, Chairman and Federal Reserve Agent, Heber Hord,
Deputy Chairman, J. Z. Miller, Jr., Governor.)

Class A.

W. J. Bailey	Atchison, Kansas	Pres. Exchange Natl. Bank	1922
E. E. Mullaney	Hill City, Kansas.	Pres. Farmers & Merchants Bk.	1923
J. C. Mitchell	Denver, Colorado	Pres. Denver National Bank	1924

Class B.

M. L. McClure	Kansas City, Mo.	V-P Drumm Comm. Co.	1922
Harry W. Gibson	Muskogee, Okla.	Retired	1923
T. C. Byrne	Omaha, Nebr.	Byrne & Hammer Dry Goods Co.	1924

District No. 10 - Federal Reserve Bank of Kansas City (Cont'd.)

DIRECTOR	RESIDENCE	BUSINESS AFFILIATIONS	TERM EXPIRES Dec. 31.
<u>Class C.</u>			
F. W. Fleming	Kansas City, Mo.	V-P Kansas City Life Ins.Co.	1922
Asa E. Ramsay	Kansas City, Mo.		1923
Heber Hord	Central City, Nebr.	Stockman-Farmer	1924

District No. 11 - Federal Reserve Bank of Dallas.

(W. F. Ramsey, Chairman and Federal Reserve Agent, W. B. Newsome, Deputy Chairman, B. A. McKinney, Governor.)

Class A.

B. A. McKinney	Dallas, Texas.	American Exchange Natl. Bk.	1922
Howell E. Smith	McKinney, Texas.	Cashier, First National Bank	1923
John T. Scott	Houston, Texas.	Pres. First National Bank.	1924

Class B.

Marion Sansom	Fort Worth, Texas.	Livestock Commissioner	1922
J. J. Culbertson	Paris, Texas.	Cotton Oil Mills	1923
Frank Kell	Wichita Falls, Tex.	Wholesale Grain	1924

Class C.

H. O. Wooten	Abilene, Texas.	Wholesale Groceries.	1922
Wm. F. Ramsey	Dallas, Texas.		1923
W. B. Newsome	Dallas, Texas.	Investments	1924

District No. 12 - Federal Reserve Bank of San Francisco.

(John Perrin, Chairman and Federal Reserve Agent, Walton N. Moore, Deputy Chairman, J. U. Calkins, Governor.)

Class A.

C. K. McIntosh	San Francisco, Cal.	V-P Bank of California, N. A.	1922
John W. Baer	Pasadena, Calif.	Pres. Union National Bank	1923
M. A. Buchan	Palo Alto, Calif.	Pres. First National Bank	1924

Class B.

E. H. Cox	Madera, Calif.	Pres. Weed Lumber Co.	1922
A. B. C. Dohrmann	San Francisco, Cal.	Pres. Dohrmann Comml. Co.	1923.
Wm. T. Sesnon	San Francisco, Cal.	Farmer.	1924

Class C.

Wm. Sproule	San Francisco, Cal.	Pres. Southern Pacific Co.	1922
John Perrin	San Francisco, Cal.		1923
Walton N. Moore	San Francisco, Cal.	Walton N. Moore Dry Goods Co.	1924

OFFICERS AND DIRECTORS OF FEDERAL RESERVE BRANCH BANKS

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District No. 2 - Buffalo Branch of the Federal Reserve Bank of New York
(W. W. Schneckenberger, Manager)

DIRECTORS	RESIDENCE	BUSINESS AFFILIATIONS
John A. Kloefer #	Buffalo, N. Y.	Pres. Liberty Bank
Elliott C. McDougal	"	Pres. Bank of Buffalo
Harry T. Ramsdell	"	Pres. Mfg. & Traders National Bank
Fred J. Coe #	Niagara Falls, N. Y.	Pres. Power City Bank
E. J. Barcalo #	Buffalo, N. Y.	Barcalo Manufacturing Company
Thomas E. Lannin	Rochester, N. Y.	V-P Lincoln Alliance Bank
W. W. Scheckenberger	Buffalo, N. Y.	

District No. 4 - Cincinnati Branch of the Federal Reserve Bank of Cleveland
(L. W. Manning, Manager)

Hon. Judson Harmon #	Cincinnati, Ohio	Atty. Harmon, Colston, Goldsmith and Headley.
Chas. A. Hinsch #	"	Pres. 5th-3rd National Bank
W. S. Rowe	"	Pres. First National Bank
Geo. D. Crabbs	"	Philip Carey Manufacturing Company
L. W. Manning	"	

District No. 4 - Pittsburgh Branch of the Federal Reserve Bank of Cleveland
(George DeCamp, Manager)

Chas. W. Brown	Pittsburgh, Pa.	V-P Pittsburgh Plate Glass Company
James D. Callery #	"	V-P Philadelphia Co. (Pittsburgh)
John R. McCune #	"	Pres. Union National Bank
R. B. Mellon	"	V-P Mellon National Bank
George DeCamp	"	

District No. 5 - Baltimore Branch of the Federal Reserve Bank of Richmond
(Albert H. Dudley, Manager)

Chas. C. Homer, Jr.	Baltimore, Md.	Pres. Second National Bank
William Ingle #	"	Pres. Baltimore Trust Company
Waldo Newcomer #	"	Pres. National Exchange Bank
Henry B. Wilcox	"	V-P Merchants Mechanics National Bk.
Albert H. Dudley	"	

District No. 6 - New Orleans Branch of the Federal Reserve Bank of Atlanta
(Marcus Walker, Manager)

P. H. Saunders # Chrm.	New Orleans, La.	Pres. Commercial Trust & Savgs. Bk.
A. P. Bush # Dep. Chrm.	Mobile, Ala	Wholesale Grocer
R. S. Hecht	New Orleans, La.	Pres. Hibernia Bank & Trust Co.
John E. Bouden, Jr.	"	Pres. Whitney Central National Bk.
F. W. Foote #	Hattiesburg, Miss.	V-P First National Bank
H. B. Lightcap	Jackson, Miss.	Capitalist and Farmer
Leon C. Simon	New Orleans, La.	Pres. Kohn Weil & Company

District No. 6 - Birmingham Branch of the Federal Reserve Bank of Atlanta
(A. E. Walker, Manager)

DIRECTOR	RESIDENCE	BUSINESS AFFILIATIONS
W. H. Kettig # Chrm.	Birmingham, Ala.	Southern Rep. Crane Company
Oscar Wells #	"	Pres. First National Bank
T. O. Smith	"	V-P Birmingham Trust & Savings Co.
W. W. Crawford	"	Pres. American Trust & Savings Bank
John H. Frye	"	Pres. Traders National Bank

District No. 6 - Jacksonville Branch of the Federal Reserve Bank of Atlanta
(George R. DeSaussure, Manager)

John C. Cooper # Chrm.	Jacksonville, Fla.	Attorney at Law
Edward W. Lane	"	Pres. Atlantic National Bank
Bion H. Barnett	"	Pres. Barnett National Bank
Giles L. Wilson	"	V-P Florida National Bank
Fulton Saussy #	"	F. Saussy Company

District No. 6 - Nashville Branch of the Federal Reserve Bank of Atlanta
(J. B. McNamara, Manager)

W. H. Hartford # Chrm.	Nashville, Tenn.	Hartford Hosiery Company
Jas. E. Caldwell	"	Pres. 4th & 1st National Bank
E. A. Lindsey	"	Pres. Tenn. Hermitage National Bank
T. A. Embry	Winchester, Tenn.	Pres. Farmers National Bank
Paul M. Davis #	Nashville, Tenn.	V-P American National Bank

District No. 7 - Detroit Branch of the Federal Reserve Bank of Chicago
(Robert B. Locke, Manager)

John Ballantyne #	Detroit, Mich.	Pres. Merchants National Bank
Emory W. Clark	"	Pres. 1st & Old Detroit Natl. Bank
Julius H. Haas	"	Pres. Wayne County & Home Savgs. Bk.
Charles H. Hodges #	"	Pres. Detroit Lubricator Company
Robert B. Locke		

District No. 8 - Louisville Branch of the Federal Reserve Bank of St. Louis
(W. P. Kincheloe, Manager)

George W. Norton	Louisville, Ky.	Capitalist
F. M. Sackett #	"	Pres. Pioneer Coal Company
W. C. Montgomery	Elizabethtown, Ky.	V-P Hardin National Bank
Embry L. Swearingen #	Louisville, Ky.	Pres. First National Bank
W. P. Kincheloe		

District No. 8 - Memphis Branch of the Federal Reserve Bank of St. Louis
(John J. Heflin, Manager)

DIRECTOR	RESIDENCE	BUSINESS AFFILIATIONS
R. B. Snowden	Memphis, Tenn.	V-P Bank of Commerce & Trust Co.
John D. McDowell	"	V-P Union & Planters Bank & Trust Co.
T. K. Riddick #	"	Attorney
S. E. Ragland #	"	Pres. Central State National Bank
John J. Heflin		

District No. 8 - Little Rock Branch of the Federal Reserve Bank of St. Louis
(A. F. Bailey, Manager)

J. E. England, Jr.	Little Rock, Ark.	Pres. American National Bank
Moorhead Wright #	"	Pres. Union Trust Company
George W. Rogers #	"	V-P Bank of Commerce
C. A. Pratt	"	Pres. Exchange National Bank
A. F. Bailey		

District No. 9 - Helena Branch of the Federal Reserve Bank of Minneapolis
(O. A. Carlson, Manager)

R. O. Kaufman	Helena, Mont.	Union Bank and Trust Company
Chas. J. Kelly	Butte, Mont.	Hanson Packing Company
H. W. Rowley	Billings, Mont.	Director and Stockholder
L. M. Ford #	Great Falls, Mont.	Banker
Thomas Marlow #	Helena, Mont.	National Bank of Montana

District No. 10 - Denver Branch of the Federal Reserve Bank of Kansas City
(C. A. Burkhardt, Manager)

John Evans #	Denver, Colorado	Pres. International Trust Company
Alva B. Adams #	Pueblo, Colorado	Attorney
C. C. Parks	Denver, Colorado	V-P First National Bank
A. C. Foster	"	V-P United States National Bank
C. A. Burkhardt		

District No. 10 - Omaha Branch of the Federal Reserve Bank of Kansas City
(L. H. Earhart, Manager)

P. L. Hall #	Lincoln, Nebr.	Pres. Central National Bank
R. O. Marnell #	Nebr. City, Nebr.	Cashier, Merchants National Bank
W. J. Coad	Omaha, Nebr.	Pres. Packers National Bank
Geo. E. Abbott	Cheyenne, Wyo.	Pres. First National Bank
L. H. Earhart		

District No. 10 - Oklahoma City Branch of the Federal Reserve Bank of
Kansas City (C. E. Daniel, Manager)

William Mee #	Oklahoma City, Okla.	Pres. Security National Bank
E. K. Thurmond #	"	Banker
Dorset Carter	"	Pres. Celine Oil Company
T. P. Martin Jr.	"	Pres. Okla. Stock Yards Natl. Bank
C. E. Daniel		

District No. 11 - El Paso Branch of the Federal Reserve Bank of Dallas
(W. C. Weiss, Manager)

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DIRECTOR	RESIDENCE	BUSINESS AFFILIATIONS
W. W. Turney #	El Paso, Texas	Attorney at Law
A. P. Coles #	"	Investments
E. M. Hurd	"	
U. S. Stewart	"	Pres. City National Bank
W. C. Weiss		

District No. 11 - Houston Branch of the Federal Reserve Bank of Dallas
(Floyd Ikard, Manager)

R. M. Farrar #	Houston, Texas	Pres. National Bank of Commerce
J. J. Davis #	Galveston, Texas	Pres. S. Texas St. Bank
Frank Andrews	Houston, Texas	Lawyer
Guy M. Bryan	"	V-P Lumbermans National Bank
E. F. Gossett		

District No. 12 - Portland Branch of the Federal Reserve Bank of
San Francisco, Calif. (Frederick Greenwood, Manager)

Edward Cookingham	Portland, Oregon	Pres. Ladd & Tilton Bank
J. C. Ainsworth	"	Pres. United States National Bank
Nathan Straus #	"	Gen. Mgr. Fleischner, Mayer & Co.
Jos. N. Teal #	"	Pres. Teal, Minor & Winfree Co.
Frederick Greenwood	"	

District No. 12 - Seattle Branch of the Federal Reserve Bank of San Francisco
(C. R. Shaw, Manager)

M. F. Backus	Seattle, Wash.	Pres. National Bank of Commerce
M. A. Arnold	"	Pres. First National Bank
Chas. H. Clarke #	"	Pres. Kelly Clarke Company
Chas. E. Peabody #	"	Chrm. Puget Sound Navigation Co.
C. R. Shaw	"	

District No. 12 - Spokane Branch of the Federal Reserve Bank of San Francisco
(W. L. Partner, Manager)

R. L. Rutter	Spokane, Wash.	Pres. Spokane & East. Trust Co.
Peter McGregor #	Hooper, Wash.	Pres. McGregor Land & Livestock Company.
G. I. Toevs #	Spokane, Wash.	V-P Centennial Mill Company
W. L. Partner	"	

District No. 12 - Salt Lake City Branch of the Federal Reserve Bank of
San Francisco (R. B. Motherwell, Manager)

L. H. Farnsworth	Salt Lake City, Utah	Chairman, Walker Brothers, Bankers
Chapin A. Day	Ogden, Utah	Pres. Ogden Portland Cement Co.
G. G. Wright #	Salt Lake City, Utah	Gen. Mgr. Con. Wagon & Machinery Co.
Lafayette Hanchett #	"	Pres. Utah Power & Light Company
R. B. Motherwell	"	

District No. 12 - Los Angeles Branch of the Federal Reserve Bank of San Francisco (C. J. Shepherd, Manager)

DIRECTOR	RESIDENCE	BUSINESS AFFILIATIONS
A. J. Waters	Los Angeles, Calif	Pres. Citizens National Bank
J. F. Sartori	"	Pres. Security Trust and Savings Bank
Henry M. Robinson #	Pasadena, Calif.	Pres. First National Bank
I. B. Newton #	Los Angeles, Calif.	Retired
C. J. Shepherd	"	

Appointed by Board

Corrected to January 21, 1922.

FEDERAL RESERVE BOARD

WASHINGTON

55

X-3305
January 20, 1922.

SUBJECT: Expense Main Line, Leased Wire System, December, 1921.

Dear Sir:

Enclosed herewith you will find two mimeograph statements X3305a and X-3305b, covering in detail operations of the main line, Leased Wire System, during the month of December, 1921.

Please credit the amount payable by your bank in the general account, Treasurer U. S., on your books, and issue C/D Form 1, National Banks, for account of "Salaries and Expenses, Federal Reserve Board, Special Fund", Leased Wire System, sending duplicate C/D to Federal Reserve Board.

Very truly yours,

Fiscal Agent.

Enclosures.

TO GOVERNORS OF ALL BANKS EXCEPT CHICAGO.

X-3305a

REPORT SHOWING CLASSIFICATION AND NUMBER OF WORDS
TRANSMITTED OVER MAIN LINE OF THE FEDERAL RESERVE
LEASED WIRE SYSTEM FOR THE MONTH OF DECEMBER, 1921.

From	Bank Business	Per cent of Total Bank Business(*)	Treasury Dept. Business	War Finance Corp. Business	Total
Boston	45,333	3.76	7,570	81	52,984
New York	187,316	15.54	14,320	913	202,549
Philadelphia	58,813	4.88	7,876	-	66,689
Cleveland	90,398	7.50	11,393	81	101,872
Richmond	80,009	6.64	7,775	6,804	94,588
Atlanta	89,128	7.40	11,481	7,625	108,234
Chicago	143,906	11.94	10,362	3,066	157,334
St. Louis	85,701	7.11	11,044	2,878	99,623
Minneapolis	46,008	3.82	4,863	18,537	69,408
Kansas City	104,263	8.65	10,980	14,989	130,232
Dallas	85,379	7.08	6,353	2,204	93,936
San Francisco	<u>188,931</u>	<u>15.68</u>	<u>20,325</u>	<u>7,660</u>	<u>216,916</u>
Total F. R. Banks	1,205,185	100.00	124,342	64,838	1,394,365
Washington	<u>271,298</u>		<u>139,037</u>	<u>39,860</u>	<u>450,195</u>
Grand Total	1,476,483		263,379	104,698	1,844,560
Per cent of total	80.04%		14.28%	5.68%	
Bank Business	1,476,483	words	or	84.86%	
Treasury	<u>263,379</u>	"	"	<u>15.14%</u>	
TOTAL	1,739,862		100.00%		

(*) These percentages used in calculating the pro rata share of leased wire expenses as shown on the accompanying statement (X-3254b).

FEDERAL RESERVE BOARD
WASHINGTON, D. C.
JANUARY 20, 1922.

REPORT OF EXPENSE
 MAIN LINE
 FEDERAL RESERVE LEASED WIRE SYSTEM DECEMBER, 1921.

X-3305b

Name of Bank	Operators' Salaries	Operators' Overtime	Extra Compensation	Wire Rental	Total Expense	Pro rata Share of Total Expense	Credits	Payable to Federal Reserve Board
Boston	\$ 240.00	\$ -	\$ -	\$ -	\$ 240.00	\$ 916.03	\$ 240.00	\$ 676.03
New York	790.17	-	299.01	-	1,089.18	3,785.95	1,089.18	2,696.77
Philadelphia	225.00	-	54.00	-	279.00	1,188.89	279.00	909.89
Cleveland	524.00	-	85.31	-	609.31	1,827.20	609.31	1,217.89
Richmond	300.00	-	509.50	(*) 3.23	812.73	1,617.68	812.73	804.95
Atlanta	240.00	-	210.00	-	450.00	1,802.83	450.00	1,352.83
Chicago	(#) 4,915.52	6.00	-	-	4,921.52	2,908.89	4,921.52	(**) 2,012.63
St. Louis	300.00	-	-	-	300.00	1,732.18	300.00	1,432.18
Minneapolis	275.00	-	-	-	275.00	930.65	275.00	655.65
Kansas City	332.76	-	-	-	332.76	2,107.36	332.76	1,774.60
Dallas	170.00	-	-	-	170.00	1,724.87	170.00	1,554.87
San Francisco	493.75	-	-	-	493.75	3,820.05	493.75	3,326.30
Federal Res. Board					16,082.90	16,082.90		
Total	\$ 8,806.20	\$ 6.00	\$ 1,157.82	\$ 16,086.13	\$ 26,056.15	\$ 24,362.58	\$ 9,973.25	\$ 16,401.96
					<u>1,693.57a</u>			<u>(&) 2,012.63</u>
					\$ 24,362.58			\$ 14,389.33

- (#) Includes salaries Washington Operators.
- (&) Amount reimburseable to Chicago.
- (*) Cut in Washn. on Rich-Balto Circuit.
- (**) Credit
- (a) Received \$1,693.57 from War Finance Corp. covering business for month of November.

FEDERAL RESERVE BOARD,
 WASHINGTON, D. C.
 JANUARY 20, 1922.

FEDERAL RESERVE BOARD
GOLD SETTLEMENT FUND

X-3306
Washington, D. C.
January 20, 1922.

Summary of transactions for period ending January 19, 1922.

(CONFIDENTIAL)

Federal Reserve Bank of	Balance last statement Jan. 12, 1922.	Gold Withdrawals	Gold Deposits	Aggregate withdrawals and transfers to Agent's fund	Aggregate deposits and transfers from Agent's fund	TRANSFERS	
						Debits	Credits
Boston	\$ 24,133,044.17	\$ 1,025,250.00	\$ -	\$ 1,025,250.00	\$ -	\$ 2,000,000.00	\$ -
New York	136,304,570.25	2,237,993.55	7,078,100.00	32,237,993.55	7,078,100.00	12,000,000.00	3,000,000.00
Philadelphia	59,968,388.17	1,220,720.92	345,500.00	6,220,720.92	345,500.00	1,000,000.00	1,000,000.00
Cleveland	46,440,467.98	2,049,674.77	663.65	2,049,674.77	663.65	-	-
Richmond	17,973,618.77	1,341,351.73	1,007,100.00	1,341,351.73	1,007,100.00	-	2,000,000.00
Atlanta	12,743,865.60	836,014.58	-	3,836,014.58	-	-	2,000,000.00
Chicago	87,404,380.29	1,263,457.51	461,000.00	1,263,457.51	461,000.00	-	1,000,000.00
St. Louis	26,261,985.57	860,333.70	700.00	860,333.70	700.00	-	1,000,000.00
Minneapolis	25,628,756.43	466,027.68	500,000.00	466,027.68	500,000.00	-	2,000,000.00
Kansas City	31,702,042.43	790,414.04	2,000,500.00	790,414.04	2,000,500.00	-	-
Dallas	7,090,204.30	877,121.38	1,500,000.00	877,121.38	2,250,000.00	-	1,000,000.00
San Francisco	34,298,806.17	1,094,778.26	4,000,422.29	11,094,778.26	6,643,422.29	-	2,000,000.00
Total	\$ 509,950,130.13	\$ 14,063,138.12	\$ 16,893,985.94	\$ 62,063,138.12	\$ 20,286,985.94	\$ 15,000,000.00	\$ 15,000,000.00

Federal Reserve Bank of	Settlements from January 13, 1922 to January 19, 1922 inclusive.				Balance in fund at close of business Jan. 19, 1922.	Summary of changes in ownership of gold by banks through transfers and settlements.	
	Net Debits	Total Debits	Total Credits	Net Credits		Decrease	Increase
Boston	\$ -	\$ 120,331,051.84	\$ 123,020,863.04	\$ 2,689,811.20	\$ 23,797,605.37	\$ -	\$ 689,811.20
New York	6,586,219.75	392,275,717.98	385,689,498.23	-	95,558,456.95	15,586,219.75	-
Philadelphia	2,192,914.39	126,427,742.77	124,234,828.38	-	51,900,252.86	2,192,914.39	-
Cleveland	-	92,817,824.50	101,518,102.81	8,700,278.31	53,091,735.17	-	8,700,278.31
Richmond	561,717.25	92,462,623.03	91,900,905.78	-	19,077,649.79	-	1,438,282.75
Atlanta	-	36,323,381.75	42,274,542.50	5,951,160.75	16,859,011.77	-	7,951,160.75
Chicago	24,566,420.00	197,622,620.33	173,056,200.33	-	63,035,502.78	23,566,420.00	-
St. Louis	-	83,873,671.60	86,976,885.73	3,103,214.13	29,505,566.00	-	4,103,214.13
Minneapolis	-	25,213,089.41	26,771,551.25	1,558,461.84	29,221,190.59	-	3,558,461.84
Kansas City	-	65,758,020.86	74,140,746.27	8,382,725.41	41,294,853.80	-	8,382,725.41
Dallas	-	40,896,558.89	42,463,198.49	1,566,639.60	11,029,722.52	-	2,566,639.60
San Francisco	-	48,491,878.10	50,446,858.25	1,954,980.15	33,802,430.35	-	3,954,980.15
Total	\$ 33,907,271.39	\$ 1,322,494,181.06	\$ 1,322,494,181.06	\$ 33,907,271.39	\$ 468,173,977.95	\$ 41,345,554.14	\$ 41,345,554.14

FEDERAL RESERVE AGENTS' FUND

X-3306 a
Washington, D. C.
January 20, 1922.

Summary of transactions for period ending January 19, 1922.

(CONFIDENTIAL)

Federal Reserve Agent at	Balance last statement Jan. 12, 1922.	Gold Withdrawals	Gold Deposits	Withdrawals for transfers to bank	Deposits through transfers from bank	Total Withdrawals	Total Deposits	Balance at close of business Jan. 19, 1922.
Boston	\$ 150,000,000	\$ 10,000,000	\$ -	\$ -	\$ -	\$ 10,000,000	\$ -	\$ 140,000,000
New York	351,000,000	-	-	-	30,000,000	-	30,000,000	381,000,000
Philadelphia	135,389,260	5,000,000	-	-	5,000,000	5,000,000	5,000,000	135,389,260
Cleveland	140,000,000	-	-	-	-	-	-	140,000,000
Richmond	31,295,000	3,000,000	-	-	-	3,000,000	-	28,295,000
Atlanta	34,000,000	4,000,000	5,000,000	-	3,000,000	4,000,000	8,000,000	38,000,000
Chicago	302,644,500	10,000,000	10,000,000	-	-	10,000,000	10,000,000	302,644,500
St. Louis	57,100,000	2,000,000	2,400,000	-	-	2,000,000	2,400,000	57,500,000
Minneapolis	9,200,000	-	-	-	-	-	-	9,200,000
Kansas City	25,360,000	2,000,000	2,000,000	-	-	2,000,000	2,000,000	25,360,000
Dallas	2,234,000	-	-	750,000	-	750,000	-	1,484,000
San Francisco	205,445,000	-	-	2,643,000	10,000,000	2,643,000	10,000,000	212,802,000
Total	\$ 1,443,667,760	\$ 36,000,000	\$ 19,400,000	\$ 3,393,000	\$ 48,000,000	\$ 39,393,000	\$ 67,400,000	\$ 1,471,674,760

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FEDERAL RESERVE BOARD

WASHINGTON

X-3307

January 21, 1922.

SUBJECT: Foreign and International Banking Institutions;
Report of Condition as at the Close of Business,
December 31, 1921.

Dear Sir:

Under authority of the agreement entered into by your corporation with the Federal Reserve Board, you are hereby respectfully requested to furnish the Board with a report of condition, as at the close of business December 31, 1921, giving in detail all assets and liabilities of your corporation and the data asked for in the accompanying memorandum.

Kindly arrange to file the report of your Head Office and domestic branches combined as soon as possible. Separate reports of foreign branches and affiliated banks should be sent as soon as they are received by you. It will be appreciated if, after the reports have been received from all of your foreign branches and affiliated banks, you will have prepared a consolidated statement of your corporation to be sent to the Board.

While the Board has ruled that no specific reserve has to be carried by foreign branches or affiliated institutions of American banking corporations against deposits abroad, it, nevertheless, wishes to be advised as to the average reserve carried by all such branches and affiliated institutions of corporations which are operating under agreement with the Federal Reserve Board. You are, therefore, requested to have each of your foreign branches, agencies, offices and subsidiary banks furnish you, for transmission to the Board, a report of the average reserve carried during the month of December, 1921, against deposit liabilities in the form shown in the accompanying memorandum.

Kindly acknowledge receipt.

Very truly yours,

(Enclosure

G o v e r n o r .

To be sent to Special List.

REPORT OF CONDITION TO FEDERAL
RESERVE BOARD.

X-3307a

The following information is desired in connection with the report of condition to be made as at close of business December 31, 1921.

A. HEAD OFFICE AND DOMESTIC BRANCHES COMBINED

1. Detailed balance sheet showing all assets and liabilities, including contingent liabilities. It is requested that the items for which detailed schedules are requested below be shown as separate accounts on the balance sheet.
2. Amount of loans and discounts, divided: Secured - Unsecured
 - (a) Demand
 - (b) Time
 - (c) Overdrafts and other advances
 - Total
3. Detailed list of investments (including stock of affiliated institutions) showing:
 - (a) Issuing Government or corporation
 - (b) Interest rate
 - (c) Maturity
 - (d) Par value
 - (e) Book value
 - (f) Approximate market value -
4. Ownership of stock of affiliated institutions:
 - (a) Per cent owned by yourselves
 - (b) Per cent owned by foreign Governments
 - (c) Per cent owned by individuals and corporations
5. List of banks, branches, etc. having balances due to your corporation with amount for each bank separately:
 - (a) Government bank
 - (b) Domestic banks
 - (c) Foreign banks
 - (d) Foreign branches, agencies and affiliated institutions
6. List of banks, branches, etc. having balances due from your corporation with amount for each bank separately:
 - (a) Domestic banks
 - (b) Foreign banks
 - (c) Foreign branches, agencies and affiliated institutions
7. Bills payable:
 - (a) Payable to:
 - (b) Amount
 - (c) Interest rate
 - (d) Maturity
 - (e) Collateral - give list

8. Rediscounts:

- (a) Amount
- (b) Maturity
- (c) Rate
- (d) With whom
- (e) Secured or unsecured - if secured, give detailed information regarding security.

9. Reserve Statement:

Deposits in the United States:

- (a) Net demand deposits (after deducting uncollected demand items payable within United States - exchanges)
 - (b) Time deposits
 - (c) Reserve held:
 - Cash on hand
 - Bank balances _____
 - Total
- Per cent of reserve -

10. Acceptances - limitations:

- (a) Acceptances outstanding:
 - 1. Maturing in 30 days or less \$
 - 2. Maturing after 30 days \$
 - Total outstanding acceptances. \$
- (b) Capital and surplus \$
- Excess a over b \$

- Acceptances secured \$
- Acceptances unsecured \$
- Amount required to be secured under agreement with Federal Reserve Board \$
- (Give list of security held as required above giving description and approximate amount)
- (c) List of drawers of drafts accepted, with total aggregate liability in excess of 10 per cent of capital and surplus.

Name	Address	Business	Aggregate Liability	Security* or Guaranty
------	---------	----------	---------------------	-----------------------

(d) Reserve against outstanding acceptances:

Required: 15% against all acceptances outstanding which mature in 30 days or less; and
 3% against all acceptances outstanding which mature in more than 30 days.

- 1. Cash (**)
- 2. Bank balances (**)
- 3. Bankers acceptances
- 4. Securities approved by Federal Reserve Board (List in detail) _____
- Total

(*) If security, state what the security consists of, giving quantity and approximate value; if a bank guaranty, give name and location of bank.

(**) These amounts, of course, must not include those appearing in 9-(c) as part of your reserve against deposits.

11. General limitations:

Per cent deposits and acceptances outstanding to capital
and surplus _____

- 12. List of officers and directors.
- 13. List of stockholders, showing number of shares owned by each.
- 14. List of branches, sub-branches, agencies, offices and affiliated institutions - date of opening of each and the location.
- 15. Date of last examination or audit - by whom made.

B. FOREIGN BRANCHES, AGENCIES AND SUBSIDIARY BANKS AND CORPORATIONS.

- 1. Balance sheet to be furnished by each, showing in detail all assets and liabilities, including contingent liabilities. It is requested that the items for which detailed schedules are requested below be shown as separate accounts on the balance sheet.
- 2. Amount of loans and discounts, showing: Secured - Unsecured
 - (a) Demand
 - (b) Time
 - (c) Overdrafts and other advances
- 3. Detailed list of investments, showing:
 - (a) Issuing Government or corporation
 - (b) Interest rate
 - (c) Maturity
 - (d) Par value
 - (e) Book value
 - (f) Approximate market value
- 4. List of banks having balances due to your branch with amount for each bank separately:
 - (a) Government bank
 - (b) Banks and bankers
 - (c) Head Office
 - (d) Other branches, agencies and affiliated institutions
- 5. List of banks having balances due from your branch with amount for each bank separately:
 - (a) Banks and bankers
 - (b) Head Office
 - (c) Other branches, agencies and affiliated institutions
- 6. Bills payable:
 - (a) Payable to
 - (b) Amount
 - (c) Interest rate
 - (d) Maturity
 - (e) Collateral (Give detailed list)

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7. Rediscounts:

- (a) Amount
- (b) Maturity
- (c) With whom
- (d) Rate
- (e) Secured or unsecured - if secured, give detailed data

8. Deposits:

Dollar
Equiv-
alent

(a) Government deposits (if secured give list of collateral)

1. Demand

2. Time

Other deposits

3. Demand

4. Time _____

Total

(b) Deposits - how payable:

1. Local Currency

2. Dollar

3. Sterling

4. Otherwise _____

Total

9. Special Reserve Statement - average for month of June, 1921

(a) Net deposits:

1. Payable in local currency

2. " in dollars

3. " in sterling

4. " Otherwise _____

Total

(b) Reserve:

1. Amount, if any, and composition required by local laws.

2. Amount held:

Amount

Per cent to
net deposits

%

(a) Gold and Silver.....\$

(b) Local currency.....

(c) Other cash.....

(d) Balance in local....

Govt. bank.....

(e) Other reserve funds _____

Total

10. Date of last examination or audit - by whom made.

NOTE: 1. Where a schedule does not refer to your corporation, please indicate this by inserting the word "None".

2. Reports for foreign branches, agencies, etc., should be in terms of United States dollars, stating the rate of exchange at which they were converted.

FEDERAL RESERVE BOARD

WASHINGTON

X-3308

January 21, 1922.

SUBJECT: Edge Act Corporations;
Report of Condition as at the Close of Business,
December 31, 1921.

Dear Sir:

Under the provisions of the Board's Regulation K, Series of 1920, governing banking corporations authorized to do foreign banking business under the terms of Section 25 (a) of the Federal Reserve Act, you are hereby respectfully requested to furnish the Board with a report of condition, as at the close of business December 31, 1921, giving in detail all assets and liabilities of your corporation and the data asked for in the accompanying memorandum.

Kindly acknowledge receipt.

Very truly yours,

G o v e r n o r .

Enclosure.

TO EDGE ACT CORPORATIONS.

REPORT OF CONDITION TO FEDERAL
RESERVE BOARD

The following information is desired in connection
with the report of condition to be made as
at close of business December 31, 1921.

1. Detailed balance sheet showing all assets and liabilities, including contingent liabilities. It is requested that the items for which detailed schedules are requested below be shown as separate accounts on the balance sheet.
2. Amount of loans and discounts, divided: Secured - Unsecured
 - (a) Demand
 - (b) Time
 - (c) Overdrafts and other advancesTotal
3. Detailed list of investments, showing:
 - (a) Issuing Government or corporation
 - (b) Interest rate
 - (c) Maturity
 - (d) Par value
 - (e) Book value
 - (f) Approximate market value -
4. List of banks having balances due to your corporation with amount for each bank separately:
 - (a) Government bank
 - (b) Domestic banks
 - (c) Foreign banks
5. List of banks having balances due from your corporation with amount for each bank separately:
 - (a) Domestic banks
 - (b) Foreign banks
6. Bills payable:
 - (a) Payable to:
 - (b) Amount
 - (c) Interest rate
 - (d) Maturity
 - (e) Collateral - give list
7. Rediscounts:
 - (a) Amount
 - (b) Maturity
 - (c) Rate
 - (d) With whom
 - (e) secured or unsecured - if secured, give detailed information regarding security.

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8. Reserve Statement:

Deposits in the United States:

- (a) Net demand deposits (after deducting uncollected demand items payable within United States - exchanges)
 - (b) Time deposits
 - (c) Reserve held:
 - Cash on hand
 - Bank balances _____
 - Total
- Per cent of reserve -

9. Acceptances - limitations:

- (a) Acceptances outstanding:
 - 1. Maturing in 30 days or less \$
 - 2. Maturing after 30 days. \$ _____
 - Total outstanding acceptances. \$ _____
- (b) Capital and surplus \$ _____
 - Excess a over b \$
- Acceptances secured \$
- Acceptances unsecured \$
- Amount required to be secured under agreement with Federal Reserve Board \$
 - (Give list of security held as required above giving description and approximate amount)
- (c) List of drawers of drafts accepted, with total aggregate liability in excess of 10 per cent of capital and surplus.

<u>Name</u>	<u>Address</u>	<u>Business</u>	<u>Aggregate Liability</u>	<u>Security* or Guaranty</u>
-------------	----------------	-----------------	----------------------------	------------------------------

- (d) Reserve against outstanding acceptances:
 - Required: 15% against all acceptances outstanding which mature in 30 days or less; and
 - 3% against all acceptances outstanding which mature in more than 30 days.
- 1. Cash (**)
- 2. Bank balances (**)
- 3. Bankers acceptances
- 4. Securities approved by Federal Reserve Board (List in detail) _____
- Total

(*) If security, state what the security consists of, giving quantity and approximate value; if a bank guaranty, give name and location of bank.

(**) These amounts, of course, must not include those appearing in 8-(c) as part of your reserve against deposits.

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10. General Limitations:

Per cent deposits and acceptances outstanding to capital
and surplus _____

11. List of officers and directors.
12. List of stockholders, showing number of shares owned by each.
13. Date of last examination or audit - by whom made.

FEDERAL RESERVE BOARD
GOLD SETTLEMENT FUND

X-3309
Washington, D. C.
January 27, 1922.

Summary of transactions for period ending January 26, 1922.

(CONFIDENTIAL)

Federal Reserve Bank of	Balance last statement Jan. 19, 1922.	Gold Withdrawals	Gold Deposits	Aggregate withdrawals and transfers to Agent's fund	Aggregate deposits and transfers from Agent's fund	TRANSFERS	
						Debits	Credits
Boston	\$ 23,797,605.37	\$ 984,703.03	\$ 338,000.00	\$ 984,703.03	\$ 10,338,000.00	\$ 7,000,000.00	\$ -
New York	95,558,456.95	3,194,500.94	2,470,200.00	3,194,500.94	2,470,200.00	12,000,000.00	-
Philadelphia	51,900,252.86	1,357,831.12	9,000,801.00	1,357,831.12	9,000,801.00	-	2,000,000.00
Cleveland	53,091,755.17	2,355,827.35	1,700.00	2,355,827.35	1,700.00	-	3,000,000.00
Richmond	19,077,649.79	1,812,423.67	5,537,000.00	1,812,423.67	5,537,000.00	-	4,000,000.00
Atlanta	16,859,011.77	1,455,827.75	201,400.00	5,455,827.75	201,400.00	-	2,000,000.00
Chicago	63,035,502.78	1,549,285.35	6,015,700.00	1,549,285.35	6,015,700.00	-	5,000,000.00
St. Louis	29,505,556.00	825,600.07	2,000,223.25	5,825,600.07	2,000,223.25	-	-
Minneapolis	29,221,190.59	756,420.65	3,000,300.00	756,420.65	3,000,300.00	-	2,000,000.00
Kansas City	41,294,853.80	815,023.76	6,001,200.00	815,023.76	6,001,200.00	-	-
Dallas	11,029,722.52	968,959.71	2,020,000.00	968,959.71	2,020,000.00	-	1,000,000.00
San Francisco	33,802,430.35	1,227,843.69	13,502,500.00	6,227,843.69	20,247,000.00	-	-
Total	\$ 468,173,977.95	\$ 17,304,247.09	\$ 50,089,024.25	\$ 31,304,247.09	\$ 66,833,524.25	\$ 19,000,000.00	\$ 19,000,000.00

Federal Reserve Bank of	Settlements from January 20, 1922 to January 26, 1922 inclusive.				Balance in fund at close of business Jan. 26, 1922.	Summary of changes in ownership of gold by banks through transfers and settlements.	
	Net Debits	Total Debits	Total Credits	Net Credits		Decrease	Increase
Boston	\$ 1,738,876.02	\$ 96,770,919.15	\$ 95,032,043.13	\$ -	\$ 24,412,026.32	\$ 8,738,876.02	\$ -
New York	-	338,908,008.35	358,862,358.47	19,954,350.12	102,788,506.13	-	7,954,350.12
Philadelphia	12,053,270.19	120,509,630.63	108,456,360.44	-	49,489,952.55	10,053,270.19	-
Cleveland	-	84,489,763.31	96,107,695.32	11,617,932.01	65,355,539.83	-	14,617,932.01
Richmond	2,318,903.53	118,647,200.23	116,328,296.70	-	24,483,322.59	-	1,681,096.47
Atlanta	-	42,386,738.90	49,630,688.21	7,243,949.31	20,848,533.33	-	9,243,949.31
Chicago	-	179,886,858.11	180,780,181.95	893,323.84	73,395,241.27	-	5,893,323.84
St. Louis	709,265.14	90,250,176.04	89,540,910.90	-	24,970,924.04	709,265.14	-
Minneapolis	4,803,387.48	24,799,918.62	19,996,531.14	-	28,661,682.46	2,803,387.48	-
Kansas City	-	67,278,257.42	68,265,613.65	987,356.23	47,468,386.27	-	987,356.23
Dallas	2,507,247.89	41,326,196.87	38,818,948.98	-	10,573,514.92	1,507,247.89	-
San Francisco	16,565,961.26	59,628,287.47	43,062,326.21	-	31,255,625.40	16,565,961.26	-
Total	\$ 40,696,911.51	\$ 1,264,881,955.10	\$ 1,264,881,955.10	\$ 40,696,911.51	\$ 503,703,255.11	\$ 40,378,007.98	\$ 40,378,007.98

FEDERAL RESERVE AGENTS' FUND

7-3309a
Washington, D. C.
January 27, 1922.

Summary of transactions for period ending January 26, 1922.

(CONFIDENTIAL)

Federal Reserve Agent at	Balance last statement Jan. 19, 1922.	Gold Withdrawals	Gold Deposits	Withdrawals for transfers to bank	Deposits through transfers from bank	Total Withdrawals	Total Deposits	Balance at close of business Jan. 26, 1922.
Boston	\$ 140,000,000	\$ -	\$ -	\$ 10,000,000	\$ -	\$ 10,000,000	\$ -	\$ 130,000,000
New York	381,000,000	-	-	-	-	-	-	381,000,000
Philadelphia	135,389,260	5,000,000	-	-	-	5,000,000	-	130,389,260
Cleveland	140,000,000	-	-	-	-	-	-	140,000,000
Richmond	28,295,000	3,000,000	6,000,000	-	-	3,000,000	6,000,000	31,295,000
Atlanta	38,000,000	-	3,000,000	-	4,000,000	-	7,000,000	45,000,000
Chicago	302,644,500	10,000,000	-	-	-	10,000,000	-	292,644,500
St. Louis	57,500,000	2,000,000	2,500,000	-	5,000,000	2,000,000	7,500,000	63,000,000
Minneapolis	9,200,000	-	-	-	-	-	-	9,200,000
Kansas City	25,360,000	2,000,000	1,000,000	-	-	2,000,000	1,000,000	24,360,000
Dallas	1,484,000	-	-	-	-	-	-	1,484,000
San Francisco	212,802,000	7,000,000	-	6,744,500	5,000,000	13,744,500	5,000,000	204,057,500
Total	\$ 1,471,674,760	\$ 29,000,000	\$ 12,500,000	\$ 16,744,500	\$ 14,000,000	\$ 45,744,500	\$ 26,500,000	\$ 1,452,430,260

F E D E R A L R E S E R V E B O A R D

STATEMENT FOR THE PRESS

X-3310

For release in *Morning Papers*,
Friday, February 3, 1922.

The following is a review of general business and financial conditions throughout the several Federal Reserve Districts during the month of January, as contained in the forthcoming issue of the Federal Reserve Bulletin.

Production and trade show no striking departures from the conditions prevailing at the time of the last report. At this season there usually occurs a period of slackening in various lines of manufacture and this has been true during the past month. Such recession as there has been does not, however, go beyond the proportions to be expected at this time of the year. In a number of lines productive activity has been unusually well sustained. The already pronounced tendency toward stabilization of prices has continued. The Federal Reserve Board's price index for December shows a reduction of only two points, as compared with a month earlier, while the United States Bureau of Labor Statistics shows no change in its index.

On the productive side interest has been largely centered about the iron and steel trade. The activity in that branch of business has, on the whole, been slightly on the increase, the end of the year showing a slowing down due to the

usual inventory period, while during the first part of January better inquiry, particularly from railroads has tended to increase the volume of orders on hand as well as the activity of the plants. Demand for non-ferrous metals continues quiet. In cotton and woolen textiles no material change has taken place, but opening prices of the American Woolen Company on fall lines are showing a slightly lower tendency. Most of the mills are still actively at work on orders taken during previous months. In other manufacturing lines there has been, if anything, a moderate tendency toward improvement. This is true of shoe manufacturing in the western districts. But little recovery from the depression in silk is yet to be noted. Demand in the automobile trade remains little altered but with reports of fair prospects for spring trade.

But little change in crop conditions can be expected during the winter season. Prices of staple farm products have, on the whole, about held their own with fair export demand. Minor agricultural crops, especially including citrus fruits and sugar cane, have shown satisfactory yields. The interest in the agricultural situation now centers about the preparations for the new season. Some anxiety is expressed with reference to credit conditions in various parts of the West and South, due to the fact that banks in those regions already hold considerable amounts of paper representing the "carry over" from last year. Combined bank figures show continued liquidation and recession in the loan account, but this has been far more pronounced in urban and manufacturing sections than in the agricultural districts. In general, liquidation, although still proceeding, has been retarded.

A slight increase in unemployment is attributable largely to seasonal recession and indicates no important changes in the general demand for labor. Building operations have been unusually well maintained,

especially for this season of the year, being about double those reported for the corresponding month a year ago. The demand for lumber has likewise been well maintained, but with considerable variation as to prices between different grades and classes.

Wholesale trade lines have shown great variation. Sharp declines have occurred in dry goods and boots and shoes, while hardware sales, although not declining in so marked a degree, have fallen off substantially. Groceries also show a lessened volume of demand. In the Southern States decline in wholesale lines has been especially pronounced in dry goods and shoes. The figures, however, make a distinctly favorable showing as compared with a year ago. In retail trade, buying demand in the manufacturing districts of the East and North still shows improvement, while demand in the agricultural regions of the West and South indicates sharp decrease as compared with the corresponding period a year ago.

While, as already noted, the general price level has shown but little change, some important items have suffered from instability. Among these are raw wool, while in cotton, variations in export demand have prevented prices from assuming a fixed position. Some uncertainty in iron and steel prices has also been noted. Building materials have in some cases, such as brick and cement, moved downward. Slight recovery in raw sugar has been noted during the latter part of the month.

Financially the month of January has shown growth in the reserve strength of Federal Reserve and member banks. Commercial demand for credit has tended downward, while market quotations for money have eased. A lower rate on bankers acceptances has become general. Foreign exchange quotations have fluctuated within a considerably narrower range than during December. Export figures still show tendencies toward a small volume of business.

AGRICULTURE. Weather conditions have thus far been excellent for the growth of winter wheat in the states east of the Mississippi River and in District No. 9 (Minneapolis), but have not been so favorable in Districts No. 10 (Kansas City), No. 11 (Dallas), and No. 12 (San Francisco). Winter wheat and rye were reported to be in good condition in early January throughout District No. 7 (Chicago), and there was plenty of snow to protect the plant in Wisconsin, Iowa, and Michigan. District No. 8 (St. Louis) reports that the winter wheat plant has good growth, and that the color of the top growth indicates an exceptionally healthy condition. In District No. 9 (Minneapolis) there has been a pronounced increase in acreage of rye and some increase in wheat sowing due to the favorable conditions for fall planting and the relatively favorable prices received for rye in 1921. District No. 10 (Kansas City) states that the condition of wheat in Kansas and Nebraska is very low, as the result of a long continued drought, while the deficiency of moisture in Colorado and Wyoming has been partly remedied by recent snows and rains. Copious rains during December and January have improved the condition of winter wheat in District No. 12 (San Francisco) which had previously suffered from a prolonged drought, and a light layer of snow now covers the fields of Idaho and Washington.

The Louisiana crop of cane sugar has been much benefited by ideal weather throughout the harvesting and grinding season, and cane production for 1921 amounted to about 3,671,000 tons, an increase of 47 per cent in comparison with 1920. Grinding operations are completed, except for certain large factories.

COTTON. Cotton ginnings from December 13, 1921, to January 15, 1922, inclusive, amounted to only 114,513 bales, as compared with 1,138,479 bales in the corresponding period of the previous year. Despite this early curtailment in ginning activity the price of middling-upland cotton at New York declined from 18.80 cents on December 24th to 17.75 cents on January 24th. District No. 11 (Dallas) reports that the winter has been mild and fears that this may permit extensive hibernating of boll weevils. The establishment of large non-cotton zones during the coming year to be alternated with other zones in subsequent years has been strongly advocated as a method of ending the costly ravages of the weevil, but there seems little prospect of concerted action of this sort during 1922. However, definite steps have been taken to stop cotton planting for a year in certain sections of Texas which are infested by the pink boll worm, and that pest may soon be exterminated.

TOBACCO. The markets in Virginia and North Carolina were closed from December 20th until after New Year's Day. Subsequent sales have been comparatively light, due to unseasonable weather for the preparation of the leaf for market, but the warehousemen estimate that about 80 per cent of the year's production has already been sold. Prices of Burley tobacco not signed up by the growers' cooperative association, have averaged materially higher than in 1920. The association expects to open the selling season in a short time. The cigar leaf market in District No. 3 (Philadelphia) continues dull, and movement of the Lancaster County crop has not yet begun. Cigar manufacturers in the District are now in the midst of their usual winter inactivity, factories with few exceptions being closed down during the latter part of December for the purpose of

taking stock. Many plants, particularly those of the smaller firms, are still closed. The demand for cigars is exceedingly light, and orders in most cases can be filled from stock. Both manufacturers and retailers in District No. 5 (Richmond) reduced prices on most cigarettes and some cigars during the second week of January, and some price reductions have been announced in District No. 3 (Philadelphia).

FRUIT. The unpicked citrus fruit of California is reported to have suffered considerable damage from recent frosts, but both California and Florida production is well above the average output of recent years. The orange crop is estimated to amount to 22,500,000 boxes in California and 8,200,000 boxes in Florida, as compared with 18,700,000 boxes and 8,100,000 boxes, respectively, in the previous year. The lemon production of District No. 12 (San Francisco) is estimated at 4,664,000 boxes, as compared with 3,750,000 boxes in 1920. Grapefruit production is also somewhat larger than last year and amounts to 5,400,000 boxes in District No. 6 (Atlanta), an increase of about 6 per cent. Shipment of the present crop of citrus fruit from Florida has been more rapid than during the last season, but the volume of California shipments up to December 31st was less than in the corresponding period of 1920.

GRAIN MOVEMENTS. Volume of grain movements increased slightly during December due to exceptionally heavy marketing of corn and a moderate increase in receipts of oats and rye. Wheat receipts amounted to 24,572,000 bushels at 17 reporting interior centers, a decline of 4.4 per cent as compared with November. Particularly heavy declines were registered at Toledo and Duluth, which were partly counter-balanced by a large increase in the amount of wheat received at Kansas City. District No. 10 (Kansas City)

1/11/21

reports that wheat stocks on the farms on December 31st were much smaller than at the close of 1920. December receipts of corn at 17 interior centers totaled 41,731,000 bushels, an increase of 139 per cent in comparison with November, and the largest monthly receipts since January, 1921. Increases of over 100 per cent in corn receipts were recorded at each of the following important centers - Chicago, Duluth, Kansas City, Milwaukee, Minneapolis, Omaha, and Peoria. This acceleration in the movement of corn from the farms is partly seasonal, but has been much aided by large exports to Europe. Stocks of grain have shown a slight tendency to increase at both interior and seaboard centers, although there has been some decline in stocks of oats and barley. Corn stocks increased 92 per cent at 11 reporting interior centers, and 132 per cent at eight reporting seaboard centers during December.

FLOUR. December production of flour showed a further decrease in all Districts. District No. 9 (Minneapolis) reported an output of 1,754,654 barrels, a decline of 24 per cent from the November figure of 2,290,084 barrels. December production reported in District No. 10 (Kansas City) was 1,540,102 barrels, as compared with 1,673,034 barrels in November, while the output of 11 leading mills in District No. 8 (St. Louis) decreased from 261,400 barrels in November to 248,600 barrels in December. In District No. 7, (Chicago) 43 representative millers produced 311,182 barrels, which was 0.5 per cent less than in November, while in District No. 12 (San Francisco) 61 mills produced 775,139 barrels, as compared with 856,079 barrels produced by 71 mills in November. Jobbers and bakers in District No. 7 (Chicago) are reported to be buying

very little flour, but in District No. 8 (St. Louis) December brought forth much better shipping instructions on old orders, although the volume of new business was disappointing. In Districts Nos. 8 (St. Louis) and 10 (Kansas City), there has been much better inquiry since January 1st. In the former, this was especially true of the South, but virtually all was for prompt shipment. In the latter, a considerable number of sales resulted, due largely to depleted stocks, and what is known as the small trade did most of the buying. There is practically no export demand in District No. 12 (San Francisco), and, while domestic inquiries are frequent, few sales have resulted.

LIVESTOCK. December receipts of cattle and calves and sheep at 15 western markets were less than in November, although receipts of hogs were greater. Sheep receipts alone were greater than a year ago. In the case of cattle and calves, 975,330 head were received during December, as compared with 1,394,217 head during November and 984,309 head during December, 1920. Receipts of hogs during December were 2,673,947 head, as compared with 2,559,916 head during November and 2,932,052 head a year ago. Receipts of sheep decreased from 1,244,214 head during November to 974,034 head during December, as compared with 942,853 head during December, 1920. The condition of livestock in District No. 10 (Kansas City) is generally good, although the number of cattle and sheep on feed in the Mountain States and on the Great Plains is less than last year. Livestock in all parts of District No. 11 (Dallas) is reported to be wintering well, in spite of the fact that winter rainfall is still much below normal, and in many sections ranges are seriously affected by drought.

In District No. 12 (San Francisco), recent rains have improved ranges in California and Arizona, but the condition of Oregon ranges is below normal.

Twenty-three representative packers report an increase of 2.3 per cent in December sales (measured in dollars) over those for November, but a decline of 20.5 per cent from those for December, 1920. District No. 7 (Chicago) reports a better domestic demand for meats and lard toward the close of December, but a tendency toward irregularity in the opening weeks of January. Seasonal falling off in export trade set in during December, and it was comparatively dull in early January.

COAL: Total production of coal in the United States during 1921 amounted to 495,000,000 tons, which is the smallest annual output during the last ten years. The decrease was due principally to the lessened output of bituminous coal, as anthracite mines maintained a large production until the last of November. Production of bituminous coal showed a decrease during December. The output for the month was 30,975,000 tons, as compared with the November production of 35,955,000 tons, and a production of 52,123,000 tons in December 1920. District No. 3 (Philadelphia) reports that the consumers' market is still inactive, although the removal of the transportation tax on January 1 caused a slight reduction in prices. Prices at the mines have decreased slightly due to competition between union and non-union operators. District No. 7 (Chicago) states that "steam coal and screenings are slightly stronger in demand and price". Exports have declined as British competition has become more active.

Production of anthracite coal decreased from 6,859,000 tons in November to 5,984,000 tons in December, which is considerably lower than the output of 8,454,000 tons in December, 1920. District No. 3 (Philadelphia)

reports a noticeable increase in the sales to consumers of domestic sizes, although steam sizes still move sluggishly. Due to the fact that both retailers and operators have large stocks, many companies have curtailed production and the industry is now operating at about 60 per cent of capacity.

The production of beehive coke for December was 514,000 tons as compared with 477,000 tons in November and 1,515,000 tons in December, 1920, while December production of by-product coke was 1,860,000 tons as compared with 1,766,000 tons in November. By-product producers have a considerable advantage at present as they are not entirely dependent on the manufacture of iron and steel.

PETROLEUM. Reports from District No. 11 (Dallas) show a production of 13,419,760 barrels of crude oil for December as compared with 10,617,830 barrels during November. This was the largest amount produced during any one month of 1921 in that District. The Mexia field which brought in 33 producing wells was largely responsible for the enormous increase, and showed a daily average production for the month amounting to 104,530 barrels. During December 203 producing wells were completed in District No. 11 (Dallas) with an initial production of 328,984 barrels as compared with 132 producing wells completed in November with an initial production of 206,341 barrels. However, production of crude petroleum in this District for the year was almost five million barrels less than during 1920. On account of a reduction in price drilling operations have been much curtailed in the Mid-continent field. On January 9, 1922, the price of Corsicana light and heavy stood at \$1.30 and \$.95 respectively as compared with \$3.00 and \$1.75 respectively on January 1, 1921.

In District No. 12 (San Francisco) crude petroleum production reached the high figure of 114,849,924 barrels during 1921, or an increase of 9,128,738 barrels when compared with 1920. During the year 657 new producing wells were completed. The daily average production of petroleum in California during December was 325,478 barrels as compared with 293,323 barrels during November. On account of the seasonal slackening in consumption and the continued increased production the stored stocks on December 31, 1921 amounted to 35,021,912 barrels as compared with 33,486,350 barrels on November 30, 1921 and 22,240,271 barrels on December 31, 1920. Forty-four new producing wells with an initial daily production of 16,160 barrels were completed in District No. 12 (San Francisco) during December.

IRON AND STEEL. A better tone is reported in the iron and steel industry, although the actual volume of business received has increased only slightly in January. Unfilled orders of the United States Steel Corporation at the close of December amounted to 4,268,414 tons, as compared with 4,250,542 tons a month earlier. Pig iron production, however, showed a substantial increase, from 1,415,481 tons in November to 1,649,086 tons in December, and the month showed a net gain of four furnaces in blast. On the other hand, December steel ingot production was only 1,427,093 tons, as compared with a November figure of 1,660,001 tons, due to widespread cessation of operations at the holidays. Some tendency of buyers to figure definitely on future requirements, and the appearance of large contracts in the market, is reported from District No. 4 (Cleveland). District No. 3 (Philadelphia)

however still notes hesitancy on the part of buyers to place orders at existing prices, due largely to uncertainty as to possible changes in freight rates. Railroads have placed some contracts, while the automobile industry, in anticipation of increased operations, is buying somewhat more freely, especially of sheets. Seasonal decrease in purchases of plates and pipe by oil interests is, however, reported. Lake shipyards have let some contracts, while tin plate and tubular goods on the whole are said by District No. 4 (Cleveland) to be making the best showing of any steel lines at the present time. Prices have shown little further decrease since the opening of the year, and concessions are said to be largely of the character of dividing advantages of location with the buyer. Operating conditions in District No. 3 (Philadelphia) average 40 per cent of capacity, which is still somewhat less than for the industry as a whole. Most plants in that District have expanded their operations somewhat during January.

AUTOMOBILES. As was to be expected, December production of passenger cars showed a sharp decrease from the November figure. Producers of 93.7 per cent of the total output reported for November, show 61,586 cars produced in December, as compared with 97,981 in November and 85,957 in December, 1920. Companies producing 71 per cent of the total output of trucks reported for November, show 6,279 trucks produced in December, as compared with 7,138 trucks in November and 5,315 trucks a year ago. December factory shipments were 19 per cent less than in November, but 5 per cent greater than a year ago. The extent of consumers' demand is as yet uncertain, and manufacturers are proceeding cautiously. Further price reductions were announced.

during the past month on many cars and trucks in an effort to stimulate orders for spring delivery. Dealers in many cases have been compelled to absorb severe losses on used cars that have been accepted in part payment for new ones. "A veritable glut exists in the used-car market", states District No. 3 (Philadelphia).

NONFERROUS METALS. The nonferrous metal markets have been quiet during January. From a price of 14 cents per pound, reached in mid-December, copper (New York, net refinery) declined to 13.50 cents by mid-January. Copper production for December was 18,545,182 pounds, as compared with 22,347,934 pounds for November. Stocks on January 1, 1922 are reported as 793,000,000 pounds, or 331,000,000 pounds less than a year ago. Lead continues to be quoted by the leading interest at 4.70 cents per pound. December zinc production increased to 22,013 tons from the November figure of 21,135 tons, but stocks at the close of the month showed a small decrease, from 67,049 tons to 66,608 tons on December 31st. Demand has decreased somewhat and prices have shown a tendency to decline slightly. December production of both zinc blende and lead ores in District No. 10 (Kansas City) was much greater than in November, increasing from 31,638 tons to 50,031 tons, and from 4,718 tons to 9,897 tons respectively. The unsold surplus, however, decreased from 78,000 tons to 70,000 tons in the case of zinc blende ore, and from 1,700 tons to 600 tons in the case of lead ore. The end of the year sees a gradual resumption of operations in that District by many mines long closed down.

COTTON TEXTILES. Cotton consumption in December amounted to 511,800 bales, a decline of 14,810 bales from the November total. There were no important developments during the month. The New England mills continue to maintain a high rate of activity. The report from District No. 1 (Boston)

notes the fact that recent upward price revisions have been moderate and have been confined to cloths, the prices of which have not previously responded to the Autumnal rise in raw cotton. In District No. 3 (Philadelphia) the demand for cotton yarn is reported to be dull and neither dealers nor sellers are disposed to consider orders for future delivery. Mills in District No. 5 (Richmond) are operating on much the same basis as during the preceding two months. A few have forward orders that will keep them busy well into 1922. In District No. 6 (Atlanta), reports made to the Federal Reserve Bank by 39 representative cotton cloth mills showed a slight reduction in yardage output in December, of 4.3 per cent as compared with November. Shipments were 1.6 per cent below those of the previous month, but orders on hand at the end of the month had increased 2.7 per cent. As compared with December, 1920, cloth production was 38 per cent greater, shipments 126.7 per cent larger, and orders on hand at the end of the month, 22.1 per cent above those of December 31, 1920. The fact that some mills closed for a few days during the holiday season would explain at least a part of this reduction. Mills in the District, generally speaking, are operating at full capacity, and in certain cases are running night shifts. Thirty-three mills engaged in the production of cotton yarn in the District reported production to be 2.4 per cent less than in November, but 30.3 per cent larger than in December, 1920. Shipments were 4.2 per cent less than November totals, and 141.5 per cent above December 1920 shipments. The orders on hand at the end of the month were 3.3 per cent less than at the end of November, and 54.8 per cent in excess of those on hand on December 31, 1920.

WOOLEN TEXTILES: At the beginning of January the percentage of idle woolen and worsted machinery and of idle hours to totals reported according to the Census figures showed a slight advance in most cases. In the case of looms wider than 50" reed space, the percentage of idle machinery rose from 26.6 per cent on December 1, 1921 to 30.3 per cent on January 3, but there was a slight reduction from 21.7 per cent to 21.2 per cent in the case of looms 50" reed space or less. The corresponding percentages for spindles rose from 22.4 per cent to 25.1 per cent for woolen spindles and from 10.2 per cent to 13 per cent for worsted spindles. The percentage of idle hours to totals reported increased in all cases with the exception of combs. The percentages for looms wider than 50" reed space increased from 28.7 per cent to 32.9 per cent; for looms 50" reed space or less, the increase was from 25.7 per cent to 27.8 per cent. The percentage of idle spindles hours rose from 21.9 per cent to 25.6 per cent in the case of woolen spindles and from 12.6 per cent to 13.8 per cent in the case of worsted spindles. A certain amount of reduced activity is to be expected at the end of the year immediately prior to the display of fall offerings. The opening of the American Woolen Company's lines of staple worsted and staple and fancy woolens on Monday, January 23, had been awaited with special interest and the fact that prices were on the average lower than last year is taken as a favorable augury for sustained mill activity. The effect of the settlement of the prolonged dispute in the garment trades in New York City is certain to have a stimulating effect upon the market for women's wear but the settlement is too recent to have been reflected to any extent as yet in mill activity.

District No. 1 (Boston) states that the mills in that District are running at as high a rate as could be expected even if business throughout the country were in a prosperous condition. On the other hand, the goods mills in District No. 3 (Philadelphia) are much less active, and the average rate of production is estimated not to be in excess of 55 per cent. This average is probably not representative as some mills are closed or running at greatly reduced capacity, whereas at least one corporation reports that its mills are operating at capacity, and that it has unfilled orders sufficient to keep it working at top speed for six weeks. The demand for carpet and knitting yarn has been good, although there are said to be very few requests for weaving yarn. As a result yarn mills in District No. 3 (Philadelphia) are operating at about 80 per cent capacity with sufficient orders to insure a maintenance of this rate for about three months. The raw wool market has been very active of late, and prices have advanced materially, largely as a result of increasing scarcity which, combined with tariff restrictions, has stimulated speculation and trading. A statement issued by the Boston Wool Trade Association showed that there was a very general scarcity of raw wools, as the Boston dealers on January 1, 1922 held the smallest amount on hand since the beginning of 1919 with stocks about half those held on January 1, 1921. Wool consumption during December amounted to 61,283,000 pounds as compared with 65,326,000 pounds in November.

CLOTHING: As a result of seasonal factors, sales of clothing in District No. 2 (New York) dropped 50 per cent in December as compared with November totals (10 firms reporting). As compared with a year ago, however, sales increased 26.8 per cent. District No. 8 (St. Louis) also reports a rather sharp decline in the December business of 23 reporting firms, a

drop which in this District was accelerated by the unusually warm weather which retarded sales. It is stated that orders for forward delivery continued to be well in excess of a year ago, but were slightly less than during the preceding month. Reports from manufacturers of men's clothing in District No. 7 (Chicago) show that the volume of spring orders received by seven wholesale clothing manufacturers was 47.8 per cent in excess of the totals for the preceding year. The number of suits made increased 34.1 per cent as compared with November, and 320.3 per cent as compared with December, 1920, when many shops were closed entirely. In the case of 15 reporting tailors-to-the-trade, orders and production decreased in December as compared with November, although both were in excess of figures for December, 1920. The decline in production amounted to 28.9 per cent as compared with November, and in orders the reduction was 32.6 per cent. As compared with the preceding year, the percentages were 20.8 and 26.1 respectively.

SILK TEXTILES: Raw silk consumption, according to the Silk Association of America, amounted to 20,930 bales in December, an increase of 2,575 bales over the preceding month. However, there is no noticeable acceleration of activity in the case of mills manufacturing broad silks and ribbons, as the persistent rise in raw silk prices has militated seriously against the placing of orders for future delivery. The statistics received from North Hudson and Paterson (January 17) do not indicate any material improvement in the situation since the middle of December. In fact slight increases for Paterson in the number of active looms and percentage of active loom hours to totals available are more than offset by pronounced decline in North Hudson. In the former city 3,731 looms were active out of a total of 15,000 reporting, and the

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percentage of active loom hours to total was 22.7. In North Hudson 1,405 looms were active out of a total of 4,596 reporting, and loom hours activity was 32.7 per cent.

HOSIERY: New orders placed with hosiery mills in District No. 3 (Philadelphia) engaged in manufacturing silk and heather mixtures have declined in recent weeks largely because of the rise in yarn prices which has made manufacturers unwilling to accept contracts at prices formerly prevailing. In view of large orders already placed, however, the mills will be able to run from three to six months on the existing basis. Business has fallen off in the case of mills manufacturing seamless silk hosiery, partly because of yarn advances, but also because the demand has turned more toward full-fashioned goods. The 25 firms selling to the wholesale trade which regularly report to the Federal Reserve Bank of Philadelphia, increased their output (in dozens of pairs) 5 per cent in December as compared with November, and 172.1 per cent as compared with a year ago. Orders booked declined during the month 21.6 per cent, but were 82.2 per cent above those of December, 1920. Shipments fell off 0.2 per cent as compared with November, but showed an increase of 88.3 per cent over a year ago. The nine firms selling to the retail trade produced 4.0 per cent less in November and 3.9 per cent less than in December, 1920. Orders booked declined 27.9 per cent from the preceding month, shipments fell 10.2 per cent, and unfilled orders were 37.9 per cent less. In District No. 6 (Atlanta) orders for cotton hosiery during December increased, and production was slightly larger than in November, but at about the same rate as a year ago. Unfilled orders at the end of the year remained substantially unchanged as compared with those on hand November 30, but were larger than at the end of 1920.

UNDERWEAR: The comparative reports received from 34 representative mills belonging to the Association of Knit Goods Manufacturers of America show that in the case of these mills little change in production capacity occurred during the month of December. A slight reduction in output amounting to 5,100 dozens was recorded, totals falling from 357,606 dozens in November to 352,506 dozens in December. Unfilled orders on December 1, were 21,535 dozens in excess of November 1, the totals rising from 1,109,321 dozens to 1,130,856 dozens. New orders received during the month dropped 96,747 dozens, from a total of 296,972 dozens for November to 200,225 dozens for December. Cancellations declined from 13,981 dozens during November to 10,916 dozens, a reduction of 3,065 dozens. For the 49 mills which reported an actual production of 518,376 dozens in December, the percentage of normal capacity averaged 77 per cent, a decline from the month of November in which 57 mills showed an average productive capacity of 86.5 per cent. Six mills reporting, announced that they were closed, as compared with three mills which reported closed during November.

Manufacturers of heavyweight underwear located in District No. 3 (Philadelphia) report that they are booking orders for immediate shipment, and also for fall delivery. They state that although the majority of orders are not large, the total is sufficient to keep the mills fairly busy. In lightweight underwear, however, the amount of business done continues to be below expectations.

SHOES AND LEATHER: Demand for hides and skins was very sporadic during the last two weeks of December and the first three weeks of January, but prices are for the most part unchanged. There were only two recorded sales of packer hides in the last two weeks of December, whereas sales in the second week of January reached the largest weekly aggregate for several months. District No. 7 (Chicago) reports that shipments of green hides from Chicago during December were 9.6 per cent greater than in November. Sales of calf and kip skins increased in the middle of January, as a result of a slight reduction in prices. Leather sales in December were somewhat less than in November, due to the general desire of manufacturers to reduce inventories, but demand for both sole and upper leathers has improved during January. District No. 7 (Chicago) reports that sole leather was in good demand during the early part of January and that there was a slight tendency toward stiffening of prices. Reports from District No. 3 (Philadelphia) state that colored leather is being purchased more freely, while sales of patent leather are decreasing. Export demand for kid is improving and stocks of kid are now comparatively low.

Western shoe factories showed a moderate increase in activity during December, while most eastern plants slightly reduced operations. Six important shoe manufacturers in District No. 1 (Boston) report production 2.5 per cent less than in November, but 40.2 per cent greater than in December, 1920. These firms had 27.9 per cent more shipments, but 30 per cent less new orders in December than in November. In District No. 3 (Philadelphia) 45 shoe concerns report production 1.9 per cent less, shipments 1.1 per cent less, and new orders 52.4 per cent less during December than during November. Twenty-one manufacturers in District No. 7 (Chicago)

report increases of 3.6 per cent in production and 17.3 per cent in unfilled orders, while shipments registered a decline of 23.2 per cent. District No. 8 (St. Louis) states that 11 reporting concerns showed increases in December sales varying from 6.5 per cent to 22 per cent in comparison with November. Factories specializing in high priced shoes are doing relatively a much smaller business than those producing cheaper grades.

LUMBER: December and the opening of January is generally a period of seasonal inactivity in the lumber industry, but conditions this year have been relatively satisfactory. December production of southern pine showed some decrease, output of 117 mills in District No. 6 (Atlanta) being 284,835,000 feet as compared with 298,704,000 feet for 123 mills in November, and a similar decrease was noted for 45 mills in District No. 11 (Dallas). Shipments in both Districts fell off more sharply, from 312,902,000 feet to 248,347,000 feet in District No. 6 (Atlanta), and from 106,742,000 feet to 83,149,000 feet in District No. 11 (Dallas). Unfilled orders at the close of the month showed a similar decrease, from 186,453,000 feet to 156,776,000 feet, and from 51,187,000 feet to 39,231,000 feet respectively, but stocks remained practically unchanged. Winter weather has been interfering with logging operations in some parts of District No. 6 (Atlanta). There has been quite an appreciable increase in orders in the first part of January, and likewise some increase in prices.

In District No. 8 (St. Louis), because of the sustained strength of the market as a result of the comparative smallness of stocks and cut, there has been more than the usual amount of inquiry, and also of small buying for immediate needs. Buying of building lumber for stock, even by the "line yard" companies, has hardly started as yet. Decrease of stocks

in spite of lessened shipments is reported by 12 manufacturers in District No. 9 (Minneapolis). December shipments were 24.5 per cent less than in November, while stocks decreased 6.6 per cent. Sales of 15 retailers decreased 48.5 per cent for the same period, and stocks 2.8 per cent.

In District No. 12 (San Francisco) the month of December was marked by moderately heavy demand for lumber for water shipment, both domestic and foreign, a slight increase in prices of the upper grades of some woods, and reports of small and incomplete stocks in the hands of mills and distributors. Production of four associations during the four weeks ending December 31, was 280,622,000 feet, as compared with 355,898,000 feet during the four weeks ending November 26, while shipments likewise fell from 341,578,000 feet to 285,659,000 feet. Unfilled orders, reported by only two associations increased, however, from 1,077,032,000 feet to 1,140,370,000 feet. The December export market witnessed large purchases by Japan and a slight revival in Australian demand for Pacific Coast lumber, while in the domestic market buying for Atlantic Coast and California shipment continued heavy for this season of the year. Production of logs was less in December than in November, due to the unusually severe storms and the usual holiday shut-down for repairs.

BUILDING: The total value of building permits issued in 166 selected cities amounted to \$139,192,593 in December, as compared with \$145,883,418 in November, and \$69,164,447 in December, 1920. The valuation of permits issued, moreover, was actually greater in December than in November in six of the twelve Federal Reserve Districts. These increases occurred in

Districts No. 4 (Cleveland), No. 5 (Richmond), No. 8 (St. Louis), No. 9 (Minneapolis), No. 10 (Kansas City), and No. 12 (San Francisco), and ranged from 5 per cent in District No. 5 (Richmond) to 40 per cent in District No. 9 (Minneapolis). Comparison with December, 1920 shows large increases in value of permits issued for every Federal Reserve District, these increases varying in size from 12 per cent for District No. 11 (Dallas) to 254 per cent for District No. 8 (St. Louis). The value of contracts awarded in seven Federal Reserve Districts (statistics of which are compiled by the F. W. Dodge Company) increased from \$177,375,132 in November to \$183,633,754 in December. Increases were registered in Districts No. 1 (Boston), No. 2 (New York), No. 3 (Philadelphia), No. 5 (Richmond) and No. 9 (Minneapolis), while Districts No. 4 (Cleveland) and No. 7 (Chicago) registered decreases.

District No. 1 (Boston) reports that the building situation in New England has improved steadily for several months, due to a noteworthy increase in residential building. Reports from District No. 3 (Philadelphia) indicate that the trend of construction has been definitely upward throughout the greater part of 1921 and that plentiful supplies of building materials are now available at fairly stable prices. In District No. 5 (Richmond) the volume of new construction and of repairs were both larger in December than in December, 1920, but the increase was relatively greater in the case of new construction. District No. 8 (St. Louis) reports marked activity in the erection of inexpensive homes in suburban communities and small towns. There have been small reductions in prices of cement and certain grades of yellow pine lumber. December building activity in District No. 12 (San Francisco) was greater than in any previous month except October, 1921.

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EMPLOYMENT: A fairly general, although not pronounced increase in numbers unemployed occurred during December, according to the reports made to the United States Employment Service by 1,428 firms which on December 31 were employing 74,267 fewer employees than at the end of November, - a decrease of 4.7 per cent. Supplementary reports received from the several Districts indicate that the decline in employment is fairly general, and not confined to the large establishments covered by the employment survey. In District No. 1 (Boston), however, the reports are on the whole encouraging although the granite and paper making industries are among those that are employing somewhat fewer workers. On the other hand, the employment situation in the shoe centers of Massachusetts is improved, and the textile centers continue as during past months to show relatively little unemployment. Conditions in the metal working establishments are reported to be "spotty", with a probable slight gain in employment. The reports from the New York State Department of Labor show very little change in the employment situation during the past three months, and since seasonal decline might be expected at this time, the situation is on the whole rather better than it was. The settlement of the strike in the garment industry of New York has decidedly reduced unemployment in the needle trades. In District No. 3 (Philadelphia) the Pennsylvania State Department of Labor reports a fairly steady growth in unemployment during November and December with a result that at the end of the year the number unemployed in the six cities of Altoona, Harrisburg, Johnstown, Philadelphia, Scranton and Williamsport reached a maximum for the year of 243,293, but on January 15, the number of unemployed had fallen to 234,910 a decrease of 3.4 per cent.

In District No. 5 (Richmond) no material changes are reported during the past month. It is said that "there is a steady but slow growth in the number of employees taken on by factories, but an offset to this during winter is that there has been lessened employment on outdoor work and reduced demand for farm labor". The replies to the labor questionnaires which are regularly sent out by the Federal Reserve Bank in District No. 7 (Chicago) covering 249 firms employing 139,758 workers on December 31, showed a decrease of 5.3 per cent in numbers employed as compared with the preceding month and 16.2 per cent as compared with the same month of the preceding year. The decrease covered a very extended list of industrial establishments. The largest group comprising manufacturers of iron and steel products showed a decrease of 3.4 per cent, and packing plants a decrease of 16 per cent. In District No. 9 (Minneapolis) unemployment increased during December and "the demand for labor has been very slight owing to the complete absence of agricultural operations of any importance, and the completion of public works and buildings. In Montana, slight improvement appeared during December in employment in lumber mills and copper mining establishments". Unemployment also increased in District No. 10 (Kansas City) and according to the report the industrial situation was not as good as it had been thirty or sixty days previous. The seasonal release of farm labor, completion of beet sugar manufactures, reduction in railroad shops, strikes in packing houses, and the difficulties in the coal mines combined to reduce the numbers employed. Cessation of agricultural work and of outdoor construction operations was also responsible for increases in numbers unemployed in District No. 12 (San Francisco). The movement into the cities of

laborers from the rural districts tended to swell the numbers out of work in the principal centers. The bulk of the unemployment was confined to unskilled laborers. It was stated that in the intermountain states the situation was not so serious, and there was no marked suffering from unemployment.

A number of Districts mention rather significant readjustments in wage rates which have been made during the past month. In District No. 1 (Boston) it is interesting to note that several small cotton textile mills have reduced wage rates from 10 to 20 per cent, and it is alleged that southern competition is exerting a pressure working for these reductions. Scattered wage reductions have occurred in metal working establishments. In District No. 2 (New York) a 12 per cent reduction in the wages of textile mill workers in Utica and Cohoes has occurred. This reduction was accompanied by a coincident increase in working hours which will result in the maintenance of the per capita earnings. The New York State Department of Labor in its Monthly Survey estimates that the average weekly earnings in factories in the State during December were \$24.91 as compared with \$24.32 during November, the increase being due in part to lengthened working time. In District No. 12 (San Francisco) the majority of the mining companies in Utah announced a reduction in wages of approximately 10 per cent, effective January 16, 1922. In San Francisco wages of metal trade workers were reduced 10 per cent during the month. There were also reductions in the wages of building trades as a result of arbitration awards.

WHOLESALE TRADE: Very general recessions in the sales of reporting wholesale firms occurred in December as compared with the preceding month. In the case of dry goods and shoe firms the reductions were especially heavy in a majority of the Districts from which returns were secured. The decreases in dry goods sales ranged from 6.9 per cent in District No. 2 (New York) with 3 firms reporting, to 42.8 per cent in District No. 11 (Dallas) with 12 firms reporting. District No. 9 (Minneapolis) was the only one recording an increase, which amounted to 7.1 per cent for three reporting firms. Declines in shoe sales varied from 10.3 per cent for the 14 reporting firms in District No. 12 (San Francisco) to 45.4 per cent for both Districts No. 6 (Atlanta) and No. 7 (Chicago), 9 firms reporting in each case. Despite these marked reductions, however, sales on the whole made a favorable showing as compared with a year ago, and it is evident that the decreases were principally due to seasonal factors, since the physical volume of sales has been well maintained in the case of dry goods, while in boot and shoe lines, actual increases have been recorded in all reporting Districts, ranging from 0.2 per cent in District No. 7 (Chicago) with 9 firms reporting, to 38.2 per cent in District No. 5 (Richmond) with 19 firms reporting. Dry goods sales as compared with a year ago increased in District No. 9 (Minneapolis) No. 11 (Dallas) and No. 12 (San Francisco), the percentages being 168.6 for 3 firms reporting, 8.7 for 12 firms reporting, and 11.2 for 12 firms reporting, for the respective Districts. Small decreases occurred in the other Districts ranging from 1.1 per cent in District No. 5 (Richmond), with 16 firms reporting, to 10.6 per cent in District No. 4 (Cleveland) with 11 firms reporting.

Grocery sales showed a uniformly downward trend during December although as compared with a year ago the percentages of decreases were not as large

as were the corresponding percentages for November 1920, and November 1921. The reductions during December as compared with November ranged from 1.8 per cent for District No. 6 (Atlanta) with 29 firms reporting, to 16.2 per cent for District No. 10 (Kansas City) with 6 firms reporting. As compared with the preceding year reductions varied from a minimum of 10.8 per cent in District No. 10 (Kansas City) with 6 firms reporting, to a maximum of 24.1 per cent in District No. 4 (Cleveland) with 25 firms reporting. Hardware sales similarly dropped in December as compared with the preceding month in all Districts except District No. 3 (Philadelphia), in which an advance of 0.4 per cent was recorded for 23 firms. In all other Districts decreases occurred ranging from 8.9 per cent in Districts No. 6 (Atlanta) and No. 12 (San Francisco), with 22 firms reporting in each case, to 20.5 per cent in District No. 5 (Richmond) with 18 firms reporting. Figures for December as compared with a year ago show decreases in all cases except District No. 10 (Kansas City) in which 4 reporting firms showed an average increase of 3.5 per cent. The minimum decrease was 7.3 per cent for District No. 7 (Chicago) with 18 firms reporting; the maximum percentage of decrease was 28.9 for District No. 9 (Minneapolis) with 10 firms reporting. District No. 3 (Philadelphia) states that although the business in hardware in that section was somewhat better despite seasonal dullness, the developments were very uneven. Dealers in builders' hardware were meeting an active demand, but firms in the coal districts had experienced a gradual decrease in purchasing. District No. 8 (St. Louis) also notes an improvement in demand as evidenced by forward orders which are from 5 to 14 times as large as a year ago. However, the December sales of 12 reporting interests were 13 to 24 per cent under the same month in 1920 and from 8 to 14 per cent less than in November, 1921. In connection with all lines of wholesale trade general emphasis was

placed upon the continuance of the policy of ordering to fill only immediate requirements. This tendency was further accentuated by a desire to reduce the end of the year inventories. Reports from the southern Districts note that in the rural sections slow payments by the farmers and curtailed credits of the stores have kept down buying in some regions in which the urban centers have experienced a fairly active demand.

RETAIL TRADE. Retail sales in December showed a decided increase as compared with those of November, 1921. All of the Districts show a decrease when compared with December 1920 except the three eastern Districts, No. 1 (Boston), No. 2 (New York), and No. 3 (Philadelphia). Comparison of sales from July 1st to December 31st show that the business transacted throughout the country during the six month period was 10.9 per cent smaller in dollar amounts than that of the same period in 1920. District No. 1 (Boston) reports that the increase in the volume of trade in that District was not confined to the large stores but was participated in by many smaller stores in various centers while District No. 8 (St. Louis) reports that "results in the country as a rule were less satisfactory than in the larger centers of population". The lines which were most active during the month were neckwear, inexpensive silver, leather goods, gloves, furniture, jewelry, and kitchen goods, while the market for dress-goods, books, stationery, millinery and heavy clothing was dull. Prices as a whole show a large degree of stabilization. December sales throughout the United States showed increases amounting to 5.3 per cent in District No. 1 (Boston), 1.6 per cent in District No. 2 (New York) and 1.2 per cent in District No. 3 (Philadelphia). Decreases were reported in the other Districts amounting to 10.7 per cent in District No. 4 (Cleveland), 4.5 per cent in District No. 5 (Richmond), 17.0 per cent in District No. 6 (Atlanta), 7.4 per cent in District No. 7 (Chicago), 8.6 per cent in District

No. 8 (St. Louis), 18.3 per cent in District No. 9 (Minneapolis), 4.3 per cent in District No. 10 (Kansas City), 16.7 per cent in District No. 11 (Dallas), and 2.4 per cent in District No. 12 (San Francisco).

Stocks on hand in representative district stores throughout the country at the close of December were 17.5 per cent lower than at the close of November, probably due to reductions preceding annual inventories. Outstanding orders at the end of December were practically the same as at the end of November.

PRICES: The general trend of wholesale prices during December was probably toward slightly lower levels than in the preceding month. The index of the Federal Reserve Board registered 138 as compared with 140 in November. The Labor Department index, on the other hand, showed no change. The most important point of disagreement between the two indexes was in the matter of lumber prices which the Labor Department reports to have increased, while correspondents of the Board report small reductions or no change. This is an indication of the uncertainty as to prices in this industry, which is further borne out by the Federal Reserve Bank of Philadelphia which states that dealers in that District report a wide range of quotations. Although the prices of individual commodities in the raw materials group shifted up and down during the month, the average of farm products, animals and meats, and mineral products was approximately the same as in the preceding month. Manufactured goods, however, declined in price.

During the first three weeks of January, prices of agricultural commodities such as corn, oats, wheat, cotton, etc., showed little change from the December level but whatever changes occurred were in the direction of reductions. Live stock and meats advanced considerably, except in the case of cattle which were lower. Tobacco prices at recent

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auctions were reported to be relatively strong in both the Kentucky and Virginia districts. The trend of prices of cotton textiles was downward but reductions were small both in the yarn and cloth sections of the industry. The manufactured commodities are following the trend of the raw material. Wool prices for several months have been largely influenced by prospective tariff regulations. During January there were advances in carpet wool as well as in the fine grades of clothing wool. Yarn prices have advanced also, but the American Woolen Company and other large producers at their openings for fall goods have quoted prices somewhat lower than have been prevailing.

Prices of iron and semi-finished steel in January were not very different from those quoted in December. More highly manufactured steel products, however, have been reduced. Coke prices continue to show weakness. Bituminous coal, on the other hand, was a few cents a ton higher in January than in December.

Retail prices of food are reported by the Department of Labor to have decreased 1 per cent during the month of December.

SHIPPING: The month of January has been characterized by a decided stiffening in ocean freight rates, particularly charter rates for prompt loading. More activity has likewise been displayed in time charters, a number of vessels having been chartered for 12 months' general trading at 5 shillings per dead-weight ton per month. This compares with quotations in January, 1920, of 25 shillings, and in January, 1921, of 10 shillings per month. The revival of interest in time charters for as long a period as 12 months, (when for many months past charterers have been as a rule unwilling to sign for more than a round trip or three months at a time) is undoubtedly of significance as showing that shipping men are not anticipating material reductions below recent charter quotations, at least for some months to come. Grain cargoes from the Atlantic range to Europe, and cargoes of sugar from

Cuba to the United Kingdom have recently displayed pronounced activity; but the export coal trade continues at a low ebb, British quotations on coal in most foreign markets being reported as lower than the best American C. I. F. prices.

FOREIGN TRADE: The value of goods exported in December, 1921, remained at approximately the same figure as in November, namely about \$295,000,000. This represents a substantial decline from the monthly value of exports from April to October inclusive, which was fairly stable around an average slightly less than \$350,000,000. While the rate of this decline has by no means been so great as in February and March, 1921, it should be borne in mind that the chief factor in the former decline, (that is, very materially reduced commodity prices), is no longer operative to any considerable extent. The most recent declines in export values therefore affect more or less gradually a fall in the actual quantities and volume of goods in the export trade. Substantiation of this conclusion is afforded by the Federal Reserve Board's foreign trade index reflecting the physical quantities of the most important export commodities, which shows a decline from 117.6 in October to 97.3 in November, and a slight increase to 95.0 in December, the calendar year 1913 being regarded as 100. Imports, on the other^{hand}/have shown a distinct tendency to increase above the totals which were reached in the summer months of 1921, standing at \$236,000,000 in December as compared with \$211,000,000 in November, and \$138,000,000 in October. Here again there is no reason to doubt that the value figures, which in recent months are the result of fairly stable commodity prices, now represent with a fair degree of accuracy the actual tendencies from month to month. The Board's foreign trade index reflecting the quantities of imports of principal commodities increased from 126.9 in October to 150.6 in November, and to 168.7 in December.

X-3310

Considering as a whole, the year just past, our export trade was valued at \$4,485,000,000 as compared with \$8,228,000,000 in 1920. Our import trade was reduced in about the same proportion totaling \$2,508,000,000 in 1921 as against \$5,278,000,000 in 1920. The result has been that our "favorable" balance of trade instead of being nearly \$3,000,000,000 as in 1920 was last year a little less than \$2,000,000,000. Counting as an offset net importations of gold during the last twelve months, which amounted to about \$668,000,000, our net credit balance from so-called visible sources was cut down to approximately \$1,300,000,000. When this is compared with the net visible additions to our international balance in 1920 or about \$2,880,000,000 it will be seen that there has been a decided tendency toward a more even balance between exports and imports. This tendency has been especially pronounced in November and December during both of which months, if allowance is made for estimated invisible payments by the United States, our balance of trade was actually reversed and constituted a small debit against us.

X-3311

FEDERAL RESERVE BOARD
STATEMENT FOR THE PRESS

For release in afternoon papers,
Friday, February 3, 1922.

CONDITION OF THE ACCEPTANCE MARKET

The Federal Reserve Banks report the condition of the acceptance market in their respective Districts as follows:

DISTRICT NO. 1 (BOSTON).

From the middle of December to the end of the year, the market for bankers' acceptances was extremely dull. In order to help the market, the Reserve Bank reduced its purchasing rate and purchased freely for its own portfolios. With this relief to their portfolios, the bill brokers at once increased their offering rate by one eighth of one per cent, but with the close of the year and the prospect of lower rates after the first becoming an important influence on the competition for bills, rates again sagged back to $4\frac{1}{4}$ bid and $4\frac{1}{8}$ asked. The acceptance market during the first week of January was fully as dull as it had been in mid December. The competition for bills early in January by brokers anxious to fill their portfolios in anticipation of a good

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market for acceptances in the near future again found rates down to a new low level of $3\text{-}\frac{7}{8}$ bid with sales at $3\text{-}\frac{3}{4}$. While for a few days brokers were able to make sales at the new rates, the sales were not sufficient in volume to keep up with the offerings of bills, and this, combined with the increase of rates of call-money in New York, put up prices again one eighth of one per cent. A feature of the bill market during the past few weeks has been the large proportion of bills against cotton and grain. Even with the low rates prevailing on acceptances, there has been evidence of continued buying by savings banks and banks outside of Boston. Since the first of the year, conditions have been such that the Reserve Bank has kept its purchase rate at a point where it is unprofitable for banks or brokers to dispose of their holdings of bills through that channel and therefore its purchases have been insignificant since the first of the year, although there has been an increase in the volume of bills carried on repurchase agreement.

DISTRICT NO. 2 (NEW YORK)

Firmness of money rates during the latter part of December caused a lack of investment demand in the bill market, and dealers' portfolios increased. This phase was succeeded by a sharp revival of investment demand early in January accompanying easier money conditions. With changed money conditions, dealers reduced their bid rates for prime bills by successive changes from $4\text{-}\frac{1}{4}$ per cent to $3\text{-}\frac{7}{8}$ per cent and made proportionate reductions in offering rates down to $3\text{-}\frac{3}{4}$ per cent. Later in the month both rates advanced $\frac{1}{8}$ as the supply of free funds became somewhat more restricted. During

the latter part of December the discount market availed itself of Federal Reserve Bank facilities to a considerable extent and during the first part of January entirely liquidated its position at the bank as money became easier. New offerings of bills in the market were in moderate volume and consisted principally of bills in connection with the export of cotton and grain and the import of raw sugar, coffee and silk.

DISTRICT NO. 3 (PHILADELPHIA).

Although easier monetary conditions and low rates for call money have resulted in a ready market for acceptances, dealers have not been able to get a sufficient amount of these bills to accommodate the demand, and sales during the month of December, according to the reports of four dealers fell off 31 per cent in the Third Federal Reserve District from the November figure. Three dealers report that their country-wide sales have declined less than 4 per cent under the previous month, and 39 per cent under December, 1920. The monthly reports from twelve accepting banks in this District indicate an increase in the amount of new acceptances created during the month ending January 10, but the amount outstanding on that date was lower than on December 10. Comparative figures follow:

	<u>Executed during preceding month</u>	<u>Outstanding on given date</u>
1922 January 10.....	\$4,445,000	\$10,784,000
1921 December 10.....	3,564,000	11,231,000
November 10	6,325,000	11,824,000

The bulk of the new bills result from the financing of the export of cotton and grain, the import of sugar and coffee, the domestic shipment of cotton, the warehousing of cotton and tobacco, and the creation of dollar exchange

bills. In this connection it is interesting to note that the Federal Reserve Bank of Philadelphia purchased in all \$24,875,000 worth of acceptances during November and December, and that this amount was distributed as follows: Dollar exchange, 6.9 per cent; warehousing 5.7 per cent; domestic shipments, 15.6 per cent; imports, 34.5 per cent; exports 36.3 per cent. Sugar importations amounted to 16.3 per cent of the total. There was a further decline in rates from 4-1/4 per cent prevailing a month ago to 3-3/4 per cent in the third week of January. A year ago the ruling rates on 60 to 90 day acceptances were from 5-5/8 to 5-3/4 per cent.

DISTRICT NO. 6 (ATLANTA)

Of 21 reports regarding acceptance transactions during December 1921 received from accepting member banks in this District, 11 reports showed no transactions in acceptances of any kind during the month. Nine reports showed amounts of domestic acceptances executed during December aggregating 5.7 per cent more than during November, but 5.6 per cent less than during December 1920. Foreign acceptances executed during December 1921 were approximately 34 per cent greater in amount than during November 1921, but still about 14 per cent less than during December 1920. Acceptances purchased in the open market during December 1921 by the Federal Reserve Bank of Atlanta were larger by 64.8 per cent than during the preceding month, and were 33.5 per cent in excess of the total for December 1920. Except for September and October 1921, this total for December is larger than for any month since April 1920.

DISTRICT NO. 7 (CHICAGO)

Reports from banks show a continuance during December of the general falling off in acceptance transactions. Bills accepted decreased

37 per cent and bills sold 44 per cent from the November amount. Smaller decreases were shown in bills bought and bills held at the close of the month. Purchase rates for December were reported ranging from 4-1/8 to 4-1/2 per cent although most of the rates reported were 4-1/4 per cent. The maturities of bills purchased were divided as follows: 30 day, 19.3 per cent; 60 day, 30.8 per cent; 90 day, 49.2 per cent, and 180 day, 0.7 per cent. The greatest part were reported drawn against tea, provisions, wool, meat, meat products and cotton. A detailed summary of returns follows:

Twenty-nine banks	In thousands of dollars	
	December	November
*Bills bought	3,878	5,009
**Bills sold	7,143	12,710
Bills held at close of month	4,395	4,650
<u>Amount accepted</u>	5,083	8,981

*Exclusive of bills purchased by the accepting bank, and of purchases for the account of specific customers.

**Exclusive of bills purchased for the account of, and sold to specific customers.

Comparison of statistics on Bankers Acceptances at the Federal Reserve Bank of Chicago for November and December follow:

During Month	December	November
Bankers Acceptances rediscounted	\$ 987	\$ 2,637
*Bankers Acceptances bought	11,394,584	12,287,463
Bankers Acceptances sold from holdings	9,923	190,000
Held at close of month		
Bankers Acceptances rediscounted	987	2,637
*Bankers Acceptances bought	8,489,145	5,194,500

*Included in Acceptances bought, but not in Acceptances sold, are those bought with agreement by the sellers to repurchase within fifteen days.

DISTRICT No. 8 (ST. LOUIS)

The market continues quiet with features of interest or importance lacking. The decline in rates has served to curtail the demand for bills, banks and investors preferring to place their funds in Government

-6-

X-3311

securities or other investments yielding more favorable returns. Acceptances purchased in the open market by this Bank in December amounted to \$1,221,732, a decrease of \$2,911,614 under the preceding month. Rates range from 3-3/4 to 4-1/4 per cent.

DISTRICT NO. 9 (MINNEAPOLIS)

The customary rate on bankers' acceptances with endorsement increased from 4-5/8 to 5 per cent and rates on commodity paper secured by warehouse receipts increased from 5-1/2 to 7 per cent.

DISTRICT No. 10 (KANSAS CITY)

Bankers' acceptances based on foreign trade transactions experienced periods of dullness and at times were neglected because of pressure of other demands during the year. This was indicated by purchases of bills in open market by the Federal Reserve Bank. Reviewing the market for the past year it is seen that on the first Wednesday of January 1921, bills purchased amounted to \$2,150,537; the volume declined steadily until in July and August when it reached the total amount of \$25,000. An increase was noted after the harvest period and on January 4, 1922, the total holdings of these bills by the Federal Reserve Bank amounted to \$1,096,260.

DISTRICT NO. 11 (DALLAS)

Inquiries addressed to accepting banks disclose that there was a substantial increase in the outstanding acceptances created during the month, the total on December 31st being \$4,251,692 as compared to \$3,252,387 on November 30th, or an increase of about 31 per cent. Of this amount \$1,904,692 was held against import and export transactions, while \$2,347,000

was based on domestic shipment and storage of goods. Total acceptances held by this Bank on December 31st aggregated \$165,000 as compared with \$190,000 on November 30th, all of which were executed by banks of this District.

DISTRICT NO. 12 (SAN FRANCISCO).

The course of the acceptance market during the period from December 15 to January 15, was uneven. During the latter part of December, when most of the banks were conserving their holdings of cash, the demand fell off materially, resulting in a slight easing of selling rates around the end of the month. After the first of the year, however, large amounts of idle money sought investment in both call money and bankers' acceptances. In consequence, call money rates fell as low as 3 per cent in New York, which made acceptances at the then prevailing rate of $4\frac{1}{8}$ per cent an attractive investment as short-time securities. The demand for bills of this character became so great that within the space of a few days after the first of January the rate for prime bills fell from $4\frac{1}{8}$ per cent to $3\frac{3}{4}$ per cent, at which point it stands today (January 15). The bulk of this demand came from large city banks. Many country banks have found the rate too low to be attractive. Coincident with the large demand for prime bills was a shortage of supply which brought about the necessary condition of a rapidly weakening market. A rough classification of bills

marketed as reported by the principal dealer on the Coast shows that short term bills and 120-day bills have gained greatly in favor. The approximate percentages of each class to the total sales of all classes follows:

	<u>Dec. 15 to</u> <u>Jan. 15</u>	<u>Nov. 15 to</u> <u>Dec. 15</u>
30 day	22.5%	6.5%
60 day	33.3%	33.0%
90 day	24.4%	56.3%
120 day	19.8%	3.6%
180 day	--	0.6%

Inactivity in the market during December is reflected in the reports to this Bank of 36 of the principal accepting banks of the District. Total purchases of \$6,085,368 during December were \$5,266,917 less than purchases in November (\$11,352,285) the decrease being almost entirely in purchases of bills originating outside of the District. Wheat, sugar, rice and cotton were the principal commodities on which acceptances executed during the month were based. Purchases and holdings of acceptances of reporting banks appear in the following table:

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AMOUNT BOUGHT

	Amount Accepted		Created in 12th Fed. Res. District		All Other		Total		Amount held at close of month	
	December	November	December	November	December	November	December	November	December	November
Pacific										
Northwest	\$ 320,421	\$1,451,433	\$ 438,109	\$ 225,982	\$ 353,934	\$1,957,511	\$ 792,043	\$ 2,183,493	\$ 5,625,686	\$ 6,679,742
Northern										
California	\$2,870,742	\$3,461,612	\$2,142,686	\$2,291,734	\$1,953,168	\$2,571,826	\$4,095,854	\$ 4,863,560	\$ 3,919,022	\$ 2,916,197
Southern										
California	358,873	\$ 651,006	\$ 33,639	\$ 206,971	\$1,163,832	\$4,098,261	\$1,197,471	\$ 4,305,232	\$ 5,178,955	\$ 5,513,946
Other Districts	----	----	----	----	----	----	----	----	----	----
Total	\$3,550,036	\$5,564,051	\$2,614,434	\$2,724,687	\$3,470,934	\$8,627,598	\$6,085,368	\$11,352,285	\$14,723,663	\$15,109,885

36 banks reporting.

November totals changed due to revised figures received from one bank.

FEDERAL RESERVE BOARD
GOLD SETTLEMENT FUND

X-3312
Superceding X-1145
Washington, D. C.

Summary of transactions for period ending

(CONFIDENTIAL)

Federal Reserve Bank of	Balance last statement 19____	Gold Withdrawals	Gold Deposits	Transfers to Federal Reserve Agent's gold fund	Transfers from Federal Reserve Agent's gold fund	T R A N S F E R S Between Federal Reserve Banks	
						Debits	Credits
Boston	\$	\$	\$	\$	\$	\$	\$
New York							
Philadelphia							
Cleveland							
Richmond							
Atlanta							
Chicago							
St. Louis							
Minneapolis							
Kansas City							
Dallas							
San Francisco							
Total	\$	\$	\$	\$	\$	\$	\$

Federal Reserve Bank of	Settlements from _____ 19__ to _____ 19__ inclusive.				Balance in fund at close of business 19__	Net changes in ownership of gold through settlements and transfers between Federal Reserve Banks.	
	Federal Reserve Notes		Checks, drafts, etc.			Loss	Gain
	Total Debits	Total Credits	Total Debits	Total Credits			
Boston	\$	\$	\$	\$	\$	\$	
New York							
Philadelphia							
Cleveland							
Richmond							
Atlanta							
Chicago							
St. Louis							
Minneapolis							
Kansas City							
Dallas							
San Francisco							
Total	\$	\$	\$	\$	\$	\$	

Federal Reserve Bank of	Settlements from _____ 19__ to _____ 19__ inclusive.			
	Federal Reserve Notes		All Other	
	Total Debits	Total Credits	Total Debits	Total Credits
Boston	\$	\$	\$	\$
New York				
Buffalo				
Philadelphia				
Cleveland				
Cincinnati				
Pittsburgh				
Richmond				
Baltimore				
Atlanta				
New Orleans				
Birmingham				
Nashville				
Jacksonville				
Chicago				
Detroit				
St. Louis				
Little Rock				
Louisville				
Memphis				
Minneapolis				
Helena				
Kansas City				
Denver				
Omaha				
Oklahoma City				
Dallas				
El Paso				
Houston				
San Francisco				
Seattle				
Spokane				
Portland				
Salt Lake City				
Los Angeles				
TOTAL	\$	\$	\$	\$

FEDERAL RESERVE BOARD

WASHINGTON

X-3314

Sir:

I hand you herewith Federal Reserve Board's Gold Settlement Fund check No. _____ for \$ _____, drawn to your order, with the request that you will please credit the following Federal Reserve Banks and Agents in either their Gold Redemption Fund accounts against Federal Reserve notes or in the Federal Reserve Banks' 5% Redemption Fund accounts against Federal Reserve Bank notes in the respective accounts and in the amounts as indicated below.

There is included in the amount of this check the total amount as noted below, charged Federal Reserve Banks by the Board, in payment for credits to the accounts of certain national banks in their 5% Redemption Fund accounts as advised by the various Federal Reserve Banks and Branches, the letter transmitting the individual credits for account of the national banks having been previously forwarded to the National Bank Redemption Agency.

<u>Name of Federal Reserve Bank or Agent</u>	<u>Name of Account</u>	<u>Amount</u>
--	------------------------	---------------

FEDERAL RESERVE BOARD

WASHINGTON

X-3315

Sir:

There is transmitted to you herewith a transcript of advices from the following Federal Reserve Banks and Branches under dates and in the amounts as indicated, with the request that you will please credit the banks named in the attached letters as forwarded by the Federal Reserve Banks and Branches in the respective 5% Redemption Fund accounts against national bank notes, in the amounts as noted therein.

Payment for these credits will be effected by the Board at the close of business this date.

Federal Reserve Bank
or Branch

Date of letter

Amount

FEDERAL RESERVE BOARD

WASHINGTON

X-3317

February 2, 1922.

SUBJECT: Temporary Advances to Dealers Against Victory Notes.

Dear Sir:

You are requested to advise your Executive Committee that until further notice the Federal Reserve Board will not object to any arrangements which your Bank may desire to make for temporary advances to dealers against Victory Notes on the same basis as advances have heretofore been made against Treasury Notes and Certificates. Victory Notes are now so near their maturity that they may be treated as short-time obligations. Your Bank cannot, of course, make loans direct to dealers on the security of Victory Notes, but under its open market powers may purchase them or carry them for dealers under agreements by them to repurchase at stated times.

Very truly yours,

G o v e r n o r .

CHAIRMEN ALL F. R. BANKS.

FEDERAL RESERVE BOARD

119

WASHINGTON

X-3318

February 2, 1922.

SUBJECT: Right of Directors of Federal Reserve Banks and
Branches to Examine Reports of Examination of
Member Banks.

Dear Sir:

I am transmitting herewith, for your information, copy of a letter from the Comptroller of the Currency on the subject of the right of directors of Federal Reserve Banks to examine reports of examination of member banks made by national bank examiners.

I may say that the Board concurs in the views expressed by the Comptroller, although the appointed members have not heard any of the complaints to which the Comptroller refers. It is suggested that as far as practicable the same rule be adopted with respect to reports by Federal Reserve Bank examiners as the Comptroller desires to have followed with respect to reports by national bank examiners.

It seems to the Board that directors could be informed of the conclusions of the Federal Reserve Agent and the Governor of the Bank as to information contained in the reports without going into detail and that these general conclusions could be furnished officers and directors of branch banks for their guidance.

Very truly yours,

G o v e r n o r .

Enclosures.

CHAIRMEN ALL F.R. BANKS.

C O P Y

TREASURY DEPARTMENT
Washington

January 30, 1922.
X-3318a

Office of
Comptroller of the Currency

Hon. W. P. G. Harding, Governor,
Federal Reserve Board,
Washington, D.C.

My dear Governor:

Directors' right of access to Reports
of Examination.

I have had under consideration the letter of John Perrin, Chairman of the Board of the Federal Reserve Bank of San Francisco, and the opinion of Assistant Federal Reserve Agent in the matter of the right of directors for the inspection of reports made by National Bank Examiners. I have gone into the question presented by Mr. Perrin quite fully and I find that I am unable to agree with Mr. Perrin in his contention.

A proper rule appears to have been laid down on December 22, 1914, in a letter from Mr. Delano to the then Comptroller of the Currency, which reads:

"Information contained in National Bank reports of State Bank reports, should be available only to the National Bank Examiner, the Federal Reserve Examiner duly authorized to examine the Federal Reserve Bank and member banks in the respective districts, the Federal Reserve and Deputy Federal Reserve Agents, all of whom are government representatives. The Governor of the Federal Reserve Bank should, of course, have access to the Credit Bureau Files but under no circumstances should any information contained in the Bank Examiner's reports be open for the inspection of the directors of any Federal Reserve Bank, and except those above referred to".

"I think the important thing to bear in mind is the Federal Reserve Agent is just as much a government official as the Chief Examiner, and, while the Chief Examiner reports direct to the Comptroller of the Currency, who is in turn ex-officio member of the Federal Reserve Board, the Federal Reserve Agent reports direct to the Federal Reserve Board".

It would appear that thus early in the organization of the Federal Reserve System the construction was placed upon the right of directors to see the reports adverse to the contention of Mr. Perrin, and I find that such construction was transmitted by Mr. A. C. Miller to Federal Reserve Agent Perrin at San Francisco, in the words following:

"Referring to the attached letter from Federal Reserve Agent Perrin of San Francisco, this office for the present is willing to grant the Federal Reserve Bank of San Francisco permission to furnish the manager of the Spokane branch of that bank copies of the reports of examinations of national banks located in the territory assigned to the branch. These copies, however, should be furnished to the Manager in confidence and he should be instructed that they are for his information and the information of his credit staff only, and are not accessible to the members of the Board of Directors of the Branch bank".

I am quite convinced that the rulings heretofore made are both correct in law and in principle. It certainly never was intended that bankers who were elected to serve on the Federal Reserve Bank Boards should have access to the inside of banks which were competing with their own banks and in which they might for some motive desire information. It rather begs the question to say that these men who are elected from banks as Class A and B directors are honorable men and would not use the information secured for personal advantage or for interference in the affairs of such banks whose reports they would examine. That, of course, is the high ideal that in all such transactions should be followed; but the Class A and B directors are human beings, and while many no doubt do regard the right to look into the reports of the examiners as sacred and one which should not be used to the disadvantage of the bank, yet I have personal reasons to know that there are exceptions to that rule, of which I have had serious complaint.

It would seem that the directors should not demand the privilege of looking into these reports as a matter of right. If the Chairmen of the Federal Reserve Banks are not capable of passing upon these reports so as to give correct information to the Board, then it would be my opinion that a Federal Reserve Agent should be secured who had such capability, and it seems to me that the Board should in all cases be guided by the determination of the Federal Reserve Agent and perhaps the Governor of the bank as to whether or not a member bank is entitled to credit it seeks. Certainly, the information should not be peddled to the boards of directors of the various banks, and by them in turn peddled to the boards of directors of the branch banks. It is my opinion that the information the branch banks get should be the direction from the Governor and Federal Reserve Agent of the parent bank and not by such branch bank directors having copies of the reports for their inspection and very often misuse.

I have just recently had coming from one of the big cities complaint that the reports of the National Bank Examiners were being improperly used. This information comes to me in a way that I am not at liberty to give details, but it is quite sufficient to enable me to come to the conclusion that there should be some more rigid regulation as to who should inspect reports. I am clearly of the opinion that such inspection should be limited to the Federal Reserve Agent and the Governor of the bank, and that their conclusions as to the information contained in the reports and not facts, should be given to such officers as are entitled to such information for their guidance and for the guidance of the officers of the branch banks.

I am further clearly of the opinion that the copies of these reports should not be and must not be delivered to branch banks for the use of the officers of the branch banks, and it is my view in this respect that only the conclusions as to the merits and solvency of the bank should be transmitted to the officers of such branch banks with such directions as the parent bank desires to give.

I do not desire, of course, to be captious or technical in laying down these rules as I think they should be, but I think that such regulations are important to the welfare of the Federal Reserve Banking System and necessary to inspire confidence with member banks that the inside of their institutions will not be peddled or improperly used. I think it is quite easy to understand that facts where they are known to too many persons are quite likely to leak out, and for that reason I am of the opinion that it is highly important and proper that the regulations I am suggesting should be enforced and lived up to religiously.

Respectfully submitted,

(Signed) D. R. Crissinger, Jr.

FEDERAL RESERVE BOARD
GOLD SETTLEMENT FUND

X-3319
Washington, D. C.
February 3, 1922.

Summary of transactions for period ending February 2, 1922.

(CONFIDENTIAL)

Federal Reserve Bank of	Balance last statement Jan. 26, 1922.	Gold Withdrawals	Gold Deposits	Aggregate withdrawals and transfers to Agent's fund	Aggregate deposits and transfers from Agent's fund	TRANSFERS	
						Debits	Credits
Boston	\$ 24,412,026.32	\$ 856,881.69	\$ 10,000,000.00	\$ 856,881.69	\$ 20,000,000.00	\$ 2,000,000.00	\$ -
New York	102,788,506.13	2,884,594.64	12,866,700.00	2,884,594.64	12,866,700.00	2,000,000.00	-
Philadelphia	49,489,952.55	1,325,561.62	8,800.00	1,325,561.62	8,800.00	-	2,000,000.00
Cleveland	65,355,539.83	1,818,637.92	4,007,600.00	21,818,637.92	4,007,600.00	-	-
Richmond	24,483,322.59	1,429,472.47	1,000,600.00	1,429,472.47	1,000,600.00	-	1,000,000.00
Atlanta	20,848,533.33	1,146,809.10	1,000,527.75	4,146,809.10	1,000,527.75	-	-
Chicago	73,395,241.27	1,532,598.57	280,900.00	1,532,598.57	280,900.00	-	-
St. Louis	24,970,924.04	905,875.60	1,001,962.50	905,875.60	1,001,962.50	-	-
Minneapolis	28,661,622.46	578,816.32	1,100.00	578,816.32	1,100.00	-	1,000,000.00
Kansas City	47,468,386.27	816,322.78	1,001,400.00	5,816,322.78	1,001,400.00	-	-
Dallas	10,573,514.92	825,037.89	1,002,000.00	825,037.89	1,002,000.00	-	-
San Francisco	31,255,625.40	1,425,959.05	5,503,500.00	11,425,959.05	7,393,000.00	-	-
Total	\$ 503,703,255.11	\$ 15,546,567.65	\$ 37,675,090.25	\$ 53,546,567.65	\$ 49,564,590.25	\$ 4,000,000.00	\$ 4,000,000.00

Federal Reserve Bank of	Settlements from January 27, 1922 to February 2, 1922 inclusive.				Balance in fund at close of business Feb. 2, 1922.	Summary of changes in ownership of gold by banks through transfers and settlements.	
	Net Debits	Total Debits	Total Credits	Net Credits		Decrease	Increase
Boston	\$ -	\$ 95,217,838.46	\$ 99,390,773.37	\$ 4,172,934.91	\$ 45,728,079.54	\$ -	\$ 2,172,934.91
New York	41,639,070.64	396,061,632.60	354,422,561.96	-	69,131,540.85	43,639,070.64	-
Philadelphia	-	126,629,328.51	132,799,041.72	6,169,713.21	56,342,904.14	-	8,169,713.21
Cleveland	-	91,364,641.78	91,471,274.71	106,632.93	47,651,134.84	-	106,632.93
Richmond	-	99,190,351.63	100,879,936.41	1,689,584.78	26,744,034.90	-	2,689,584.78
Atlanta	-	39,401,122.45	42,375,348.32	2,974,225.87	20,676,477.85	-	2,974,225.87
Chicago	-	183,092,483.86	193,613,948.01	10,521,464.15	82,665,006.85	-	10,521,464.15
St. Louis	-	80,042,446.86	83,773,511.18	3,731,064.32	28,798,075.26	-	3,731,064.32
Minneapolis	-	22,033,720.71	23,750,583.46	1,716,862.75	30,800,828.89	-	2,716,862.75
Kansas City	173,531.58	68,566,713.59	68,393,182.01	-	42,479,931.91	173,531.58	-
Dallas	-	37,068,792.61	37,917,238.18	848,445.57	11,598,922.60	-	848,445.57
San Francisco	-	43,981,104.41	53,862,778.14	9,881,673.73	37,104,340.08	-	9,881,673.73
Total	\$ 41,812,602.22	\$ 1,282,650,177.47	\$ 1,282,650,177.47	\$ 41,812,602.22	\$ 499,721,277.71	\$ 43,812,602.22	\$ 43,812,602.22

FEDERAL RESERVE AGENTS' FUND

X-3319a
Washington, D. C.
February 3, 1922.

Summary of transactions for period ending February 2, 1922.

(CONFIDENTIAL)

Federal Reserve Agent at	Balance last statement Jan. 26, 1922.	Gold Withdrawals	Gold Deposits	Withdrawals for transfers to bank	Deposits through transfers from bank	Total Withdrawals	Total Deposits	Balance at close of business Feb. 2, 1922.
Boston	\$ 130,000,000	\$ -	\$ -	\$ 10,000,000	\$ -	\$ 10,000,000	\$ -	\$ 120,000,000
New York	381,000,000	-	-	-	-	-	-	381,000,000
Philadelphia	130,389,260	5,000,000	-	-	-	5,000,000	-	125,389,260
Cleveland	140,000,000	-	-	-	20,000,000	-	20,000,000	160,000,000
Richmond	31,295,000	3,000,000	-	-	-	3,000,000	-	28,295,000
Atlanta	45,000,000	4,000,000	2,500,000	-	3,000,000	4,000,000	5,500,000	46,500,000
Chicago	292,644,500	6,000,000	10,000,000	-	-	6,000,000	10,000,000	296,644,500
St. Louis	63,000,000	2,000,000	1,700,000	-	-	2,000,000	1,700,000	62,700,000
Minneapolis	9,200,000	-	-	-	-	-	-	9,200,000
Kansas City	24,360,000	-	1,000,000	-	5,000,000	-	6,000,000	30,360,000
Dallas	1,484,000	-	-	-	-	-	-	1,484,000
San Francisco	204,057,500	-	-	1,889,500	10,000,000	1,889,500	10,000,000	212,168,000
Total	\$ 1,452,430,260	\$ 20,000,000	\$ 15,200,000	\$ 11,889,500	\$ 38,000,000	\$ 31,889,500	\$ 53,200,000	\$ 1,473,740,760

FEDERAL RESERVE BOARD
WASHINGTON

125

X-3320
February 4, 1922.

SUBJECT: Discount and Premium on United States Securities.

Dear Sir:

Reports received by the Board during the past few weeks indicate that considerable amounts of Victory Notes are being purchased by certain of the Federal Reserve Banks at a premium.

In order that the amount and annual rate of earnings on United States securities may be correctly stated, i. e., based on cost price, it is requested that premium paid, if any, on United States securities purchased by your Bank be set up in a separate account, and that such premium account be credited and the bank's earnings on United States securities debited with the proper amortization charge either daily or at the end of each month. Likewise, should the bank purchase United States securities at a discount, the amount of the discount should be set up in a special account, "Discount on U. S. securities", which account should be charged and the Bank's earnings on United States securities credited with the appropriate amortization charge either daily or as of the last day of each month.

On balance sheet, Form 34, the discount or premium accounts may be combined and shown against the caption "Discount and premium on U. S. securities", code BIND. The amount of such discount or premium should, of course, be treated as a deduction from or addition to the par value of earning assets in order to obtain the "liquid value of earning assets" to be reported on daily balance sheet, Form 34.

Very truly yours,

G o v e r n o r .

Letter to all Agents.

FEDERAL RESERVE BOARD
WASHINGTON

February 8, 1922.
X-3322

SUBJECT: Negotiability of Promissory Notes Secured by
Chattel or Real Estate Mortgages.

Dear Sir:

For the information of Federal Reserve Banks, there is enclosed herewith a copy of the Board's letter to Governor Calkins, with reference to the negotiability of notes secured by chattel or real estate mortgages, together with copies of a brief resume, and detailed memorandum of law, on the same subject prepared by the Counsel to the Federal Reserve Bank of San Francisco.

Yours very truly,

Enclosures.

G o v e r n o r

To Governors and
Federal Reserve Agents.

C O P Y

FEDERAL RESERVE BOARD

Washington

X-3322a
February 2, 1922.

Mr. J. U. Calkins, Governor,
Federal Reserve Bank,
San Francisco, California.

Dear Governor Calkins:

Receipt is acknowledged of your letter of January 20, 1922, enclosing copy of a memorandum of law on the general subject of the negotiability of notes secured by mortgages, together with a brief resume thereof, both prepared by your counsel, Mr. Agnew.

The Board has submitted these memoranda to its counsel, who has gone over them with much interest. He states that the brief contains an excellent discussion of the question and a most helpful compilation of authorities, and that in his opinion, the other Federal reserve banks and their counsel would be very glad to be supplied with copies of both the brief and the resume. The Board will, therefore, circulate these memoranda among all Federal reserve banks. As you indicate in your letter, these memoranda will serve to impress upon the Federal reserve banks the legal uncertainties involved in dealing with certain kinds of paper and the importance of determining the state of law obtaining within their respective districts.

Under the conflicting state of authorities it is impracticable to make a general ruling covering all possible situations or to rule that mortgage secured notes originating or payable in certain States are or are not negotiable. Such questions of negotiability must be determined by reference to local laws and decisions and are, therefore, primarily for the determination of local counsel. In view of the fact that the courts of California and a few other States appear to have rejected the majority rule and to have held definitely that notes are non-negotiable if they recite that they are secured by chattel or real estate mortgages, the Board desires to call your attention to its former rulings to the effect that non-negotiable notes are ineligible for discount by Federal reserve banks. With respect, however, to notes the negotiability of which cannot be determined with reasonable certainty under the relevant statutes and court decisions, it seems proper for Federal reserve banks to assume that the majority rule would be held to apply, and the Board's former rulings need not, therefore, be construed to prohibit the discount of such notes. As pointed out in your counsel's memorandum, the question of what law governs the negotiability of a note is often a difficult one to decide.

Yours very truly,

(Signed) W. P. G. Harding,

WSL:B

G o v e r n o r .

C O P Y

FEDERAL RESERVE BANK
San FranciscoJanuary 20, 1922.
X-3322bSUBJECT: Negotiability of Promissory Notes Secured by
Mortgages.

The rule of law in force in a majority of the states is that the negotiability of a promissory note, otherwise negotiable in form, is not affected by the fact that it is secured by a chattel or real estate mortgage. In most of the states, also, the mere fact that such negotiable note states upon its face that it is secured by mortgage, does not militate against its negotiability. The above rules are supported by the great weight of authority.

On the other hand, it is generally held that in those cases where a note, otherwise negotiable in form, in terms adopts the provisions of an accompanying mortgage, as where the note states that its payment is "subject to all the terms and conditions" of the mortgage, it is thereby rendered non-negotiable.

The majority rule above stated is followed in the United States courts in Alabama, Arkansas, Colorado, District of Columbia, Mississippi, New Jersey, New York, North Carolina, Oklahoma, Oregon, Texas, Washington, and many other states.

The majority rule is rejected in whole or in part in California, Illinois, Iowa, Kansas, Michigan, Minnesota, and Utah. In Idaho, Nevada and Arizona and several other jurisdictions, the question has never been directly presented for decision. In Missouri, Montana, Nebraska and Wisconsin, the decisions are in conflict and it is difficult to say what conclusion the courts of these states will reach when the question is again presented for interpretation under the terms of the Negotiable Instruments Act.

An explanation of the processes of reasoning by which the states following the minority rule have reached the conclusion that promissory notes, otherwise negotiable in form, are rendered non-negotiable when transferred to one having knowledge of the existence of an accompanying and supporting mortgage, cannot be undertaken within the scope of this memorandum.

The law of the place of contract or the place of payment generally governs the interpretation of the instrument. A note executed and payable in California, coming into the hands of a purchaser residing in New York will, as a general rule, be interpreted as to its negotiability in accordance with the law enunciated by the courts of California. In order, therefore, to determine the negotiable character of a note secured by mortgage, it will not suffice to rely upon the rule applying in the jurisdiction where the instrument is held, if the obligation originated or is payable in another jurisdiction. Reference, in such case, must be made to the law as set forth in the decisions of the courts of the state of origin or payment.

For a fuller discussion of this important phase of the law of negotiable instruments, reference is made to the accompanying brief.

(Signed) Albert C. Agnew,
Attorney.

X-3322c

MEMORANDUM OF AUTHORITIES

IN RE

NEGOTIABILITY OF PROMISSORY NOTES SECURED BY MORTGAGES

MEMORANDUM IN RE NEGOTIABILITY OF PROMISSORY NOTESSECURED BY MORTGAGESINTRODUCTION

The question of the negotiability of promissory notes secured by mortgages is one of considerable importance to Federal reserve banks. If the note is negotiable, although secured by mortgage, it is not subject, in the hands of an innocent purchaser for value before maturity, to any equities as between the mortgagor and the mortgagee. If, on the other hand, the court holds that the note is rendered non-negotiable, either by reason of the fact that it is secured by mortgage or by reason of some provision contained in the mortgage, it is subject in the hands of an innocent purchaser for value before maturity to any defenses which the mortgagor may have against the mortgagee. Thus, if the note is held to be non-negotiable, the Federal reserve bank which may have purchased the note in good faith and without notice of any defense to the payment thereof may, when suit is brought to effect collection through the foreclosure of the mortgage or otherwise, be confronted with a defense of fraud or failure of consideration which may partially or entirely defeat a recovery upon the debt.

WHAT LAW GOVERNS

An investigation of this subject necessarily involves also an investigation of the question as to what law will govern the interpretation of the contract involved in the execution and delivery of the note secured by mortgage. For instance, if the Federal Reserve Bank of San Francisco,

by an assignment made in California, becomes the owner of a note executed in Illinois and secured by a real or personal mortgage upon property located in Illinois, the question of whether the negotiability or non-negotiability of such note is to be determined under the law of California or under the law of Illinois becomes vital.

The general rule is that a contract, as to its validity and interpretation, is governed by the law of the place where it is made - the *lex loci contractus*; or, more accurately speaking, that contracts are to be governed, as to their nature, validity and interpretation, by the law of the place where they were made, unless the contracting parties appear to have had some other place in view.

The law of the place of contract in general determines the negotiability of the instrument. This is especially true where the place of the contract as well as the place of payment are the same. In other words, a note secured by chattel or real estate mortgage, executed in Illinois and payable in Illinois, will, in the hands of a purchaser residing in California be interpreted as to its negotiability, not in accordance with the law of California, but in accordance with the law of Illinois. Where the place of payment is different from the place of contract, it is usual that the law of place of payment governs. Thus, under ordinary conditions a note secured by chattel or crop mortgage executed in Illinois but payable in California would be interpreted in accordance with the law of California. In some cases, however, the law of the place where the instrument is executed has been held to control rather than the law of the place of payment. This, however, is the exception to the rule. Where the question arises as between an indorser and the indorsee, it has been held that the contract would be

governed by the law of the place where the indorsement was made. On the other hand, however, the place of execution rather than the place of indorsement governs where the action is by an indorsee against the maker or the drawer. If a bill is negotiable by the law merchant, it is presumed to be negotiable by the law of the place of contract in the absence of proof to the contrary. As a general rule, the law of the place of contract governs the general liability of the maker, except in so far as controlled by the law of the place where the instrument is payable. If no particular place of payment is specified, the law of the place of contract governs. As a general rule, the liability of the maker to others or his right to set up an equitable defense will be unaffected by the law of the place of transfer.

Thus, it may be said to be the prevailing rule that a note secured by mortgage on chattels or real property executed in California and payable in California will be interpreted by the law of the place of execution, wherever the action may arise. It may also be said to be generally true that, in the absence of a definite statement as to where the obligation is payable, the contract will be governed according to the law of the State of California even though payment be demanded in another jurisdiction.

The determination of the question of what law shall govern becomes extremely important in interpreting the right of a maker of a note secured by mortgage, to equitable defenses against a bona fide purchaser for value before maturity, on account of the fact that the courts of the several states have reached widely different conclusions upon the subject and, on account of the fact that even in those jurisdictions the courts of which have held similarly, the processes of reasoning by which the

conclusions are reached differ very widely. Herewith follows a brief resume of the decisions of the courts of several jurisdictions in regard to the negotiability of promissory notes secured by mortgages, the decisions of the United States courts being reviewed first; thereafter the decisions of the courts of the states embraced within the Twelfth Reserve District, and lastly the decisions of the courts of several other states not embraced in this district.

GENERAL RULE

The doctrine has been laid down in a number of cases and is stated by Mr. Hilliard in his treatise on mortgages that, if a mortgage is given to secure a negotiable note, and both the mortgage and the note are transferred for value before maturity to a bona fide indorsee, such indorsee takes the benefit of the mortgage as well as of the note, clear of any equities between the original parties. This doctrine, which may be said to be the majority rule, is based upon the theory that it is the debt which gives character to the mortgage and fixes the rights and remedies of the parties under it, and not the mortgage which determines the nature of the debt.

In many cases, however, this doctrine is denied on the ground that the mortgage is simply a chose in action, and is taken subject to the accounts between the mortgagor and the mortgagee and while it is an incident to the debt, the benefit of which, so far as the assignor is concerned, with it, the assignee cannot rely on the privileged character of the note to insure him the advantage of the mortgage.

The courts which have so held have generally reached the conclusion by stating that the assignee, having to resort to equity to enforce his rights, is compelled to do equity to the mortgagor and allow him the right of all defenses against the mortgage. Under this rule, although the purchaser of a

note before maturity takes it free of any equities existing between the original parties, yet, if it is secured by mortgage, the non-assignable character of the security qualifies his rights and remedies upon the note and makes it subject to all defenses and equities to which it would be liable in the hands of the assignor. Under this view, the rights of an assignee seeking to foreclose a mortgage are determined by the principles of equity applicable to non-negotiable instruments and not by the law merchant, and since a mortgage is a non-negotiable instrument, an assignee takes it subject to all equities and defenses between the original parties, even though the mortgage debt is evidenced by a negotiable promissory note transferred to the assignee for value, before maturity. This may be said to be the minority rule.

Jones on Chattel Mortgages, 7th Ed. par. 838.

This doctrine has been followed in Minnesota, Illinois, Ohio, Kansas and several other states, but in Illinois, where this rule has been followed, it is held not to apply to deeds of trust given to secure railroad coupon bonds intended to be thrown upon the market and circulated as commercial paper.

Peoria Railroad Co. vs Thompson, 103 Ill. 205.

Mr. Daniel in his work on Negotiable Instruments, (6th Ed. par. 834) disapproves of the doctrine last stated which subjects notes secured by mortgages to any defenses available by the mortgagor against the mortgagee and states that the former rule seems to be the equitable and just one. It is clear, however, that even the majority rule, that an innocent purchaser of a note secured by mortgage is protected against any equities existing in favor of the mortgagor, is subject to this limitation; that if the land or personal property covered by the mortgage was subject to a prior lien of a third party, the indorsee of the note would only acquire the right to enforce his claim against the land or personal property subject to such lien, whether he had

notice of it or not. This limitation arises from the very nature of the transaction, as the indorser himself could not, by a negotiable or other contract, supersede the pre-existing rights of a third person, not a party to his act. Thus, even in those states which hold to the strict rule of negotiability of notes secured by mortgage, it is held that wherever the assignee is chargeable with constructive notice of an equity prior to the mortgage under which he claims, he must yield to it.

The mere fact that a note is secured by a mortgage does not of itself affect its negotiability, except in California, and under these circumstances the assignment of the mortgage cannot affect the negotiability of the note. One class of cases holds that where a mortgage is delivered at the same time as the note, provision in the mortgage rendering the amount of the note or the time of payment uncertain, destroy the negotiability of the note in the hands of all persons charged with notice thereof, especially where the note expressly refers to the mortgage.

Jones v. Dulick (Kans. Apr.) 55 Pac. 522,
Brooke v. Struthers, 110 Mich. 562; 68 N. W. 272,
Cornish v. Woolverton, 32 Mont. 456; 81 Pac. 4
Roblee v. Union Stockyards National Bank, 69 Neb.
180; 95 N. W. 61;
Kendall v. Selby, 66 Neb. 60; 92 N. W. 178
Donaldson v. Grant, 15 Utah 231; 49 Pac. 779.

There are, however, many decisions holding to the contrary, and in which particular mortgage provisions which, if contained in the note, would destroy its negotiability, are held not to affect the negotiability of the note because they relate solely to the security.

The courts of many of the states have held that temporarily executed as part of the same transaction will be construed together. If, construing the instruments together, the mortgage imports into the note conditions which render it uncertain or otherwise violate the

elemental principles of negotiability, the note will be rendered non-negotiable.

Frooke v. Struthers, 110 Mich. 562; 68 N. W. 272,
Cornish v. Woolverton, 32 Mont. 456; 81 Pac. 4.

But construing together simply means that, if there be any provisions in one instrument limiting, explaining, or otherwise affecting the provisions of another, they will be given effect as between the parties themselves and all persons charged with notice, so that the intent of the parties may be carried out, and the whole agreement actually made, may be effectuated. The courts have usually held that this does not mean that the provisions of one instrument are imported bodily into another, contrary to the intent of the parties. They may be intended to be separate instruments, and to provide for entirely different things. Hence the provisions of a mortgage securing a contemporaneous note, which merely relate to the preservation of the security, are not as a rule construed as a part of the note so as to destroy its negotiability.

Thorpe v. Mindeman, 123 Wisc. 149; 101 N. W. 417.

So, also, where the provisions of a contemporaneous written instrument are contradictory and repugnant to the bill or note, it is usually held that they will not be construed together and that the provisions of the note control.

White v. Miller, 52 Minn., 367; 54 N. W. 736,
(3 R. C. L. par 54.)

In applying these rules, however, the courts are far from being in harmony. Conceding the general rule that a note may be rendered non-negotiable by reason of provisions in the mortgage executed and delivered with the note and as part of the same transaction and referred to in the note, it remains to be considered what particular provisions in a mortgage will so render the note non-negotiable. As a general rule, it may be stated that, when

the note adopts the terms of the mortgage as a part of the contract and the terms of such mortgage are such as to make the note uncertain or conditional as to amount, the time of payment or the like, it makes the note non-negotiable.

Des Moines Savings Bank v. Arthur, 163 Iowa, 205
143 N. W. 556.
Garnett v Meyers, 65 Neb.280; 91 N. W. 400, 94
N. W. 803.

On the other hand, if the provision of the mortgage, even if actually incorporated in the note, would not affect its negotiability, the mortgage provisions have no effect on the negotiability of the note, except in California.

Farmer v. First National Bank/⁸⁹Ark. 132.
Hunter v. Clarke, 184 Ill. 158; 56 N. E. 297.
Des Moines Savings Bank v. Arthur, 163 Iowa, 205;
143 N. W. 556,
Cox v. Cayan, 117 Mich. 599; 76 N. W. 96,
Blumenthal v. Jassoy, 29 Minn. 177; 12 N. W. 517,
Bradbury v. Kinney, 63 Neb. 754; 89 N. W. 257,
Cunningham v. McDonald, 98 Texas, 316; 83 S. W. 372,
Thorpe v. Mindeman, 123 Wisc. 149; 101 N. W. 417.

Likewise if the mortgage merely provides for the doing of an act which it would be the duty of the party to perform independently of such provision, the negotiability of the note is not affected.

Wilson v. Campbell, 110 Mich., 580; 68 N. W. 278;
Bradbury v. Kinney, 63 Neb. 754; 89 N. W. 257.

Some courts take the extreme position that provisions contained in a contemporaneous mortgage which, if in incorporated in the note would destroy its negotiability, do not affect such negotiability, as they relate wholly to the security rather than to the indebtedness. A more or less common provision in a mortgage in some states is one requiring the mortgagor, that is, the maker of the note, to pay all taxes levied on the land or the mortgage, or insurance, and sometimes providing that in default thereof, the whole

debt shall be payable at once. Such provisions contained in the mortgage are held to make the note non-negotiable in Kansas, Michigan, Montana, Nebraska and Utah. On the other hand, the contrary is held in Colorado, Illinois, Iowa, Oregon, Washington and Wisconsin. The latter decisions proceed on the theory that such provisions in a mortgage relate wholly to the mortgage security and not to the indebtedness. Likewise, on this theory it was held in Oklahoma prior to the adoption of the Negotiable Instruments Act that provisions in a mortgage for attorney's fees upon foreclosure did not affect the negotiability of the note, although it would have been otherwise if such provisions were incorporated in the note.

Farmers National Bank v. Mc Call, 25 Okla. 600;
106 Pac. 866; 26 L.R.A.(NS) 217 and Note.

From the above it may be seen that the decisions of the various courts are widely divergent in considering even the same matter and under the same state of facts. I have considered, therefore, that the only thorough method of investigating the subject is by an examination and review of the decisions of certain of the state courts.

RULE IN THE UNITED STATES COURTS

The general rule, accepted by the United States courts, is that the assignee for value before maturity of a negotiable note and the mortgage securing it, without notice of any equities in favor of the mortgagee, is unaffected by any equities to which the note would be subject in the hands of the mortgagee. Upon foreclosure no other or further defenses are allowed against the mortgage than would be allowed if the action were brought in a court of law upon the note.

National Livestock Bank v. First Nat. Bank, 203
U.S. 296 (affirming 15 Okla. 194; 75 Pac. 130)
Chicago Railway Equipment Co. v. Merchants
National Bank, 136 U. S. 268 - 283,
Sawyer v. Prickett, 19 Wall (U.S.) 146,
Swift v. Smith, 102 U. S. 442.

In the case of *Carpenter v. Longan*, 16 Wall. 271 (U.S.) the Supreme Court said:

"All the authorities agree that the debt is the principal thing and the mortgage an accessory. Equity puts the principal and accessory upon a footing of equality and gives to the assignee of the evidence of the debt the same rights in regard to both. The mortgage can have no separate existence. When the note is paid, the mortgage expires. When the amount due on the note is ascertained in the foreclosure proceedings, equity recognizes it as conclusive and decrees accordingly."

In the case of *Smith v. Nelson Land & Cattle Co.*, 212 Fed. 56, the collateral mortgage contained a provision that in the event of certain contingencies, the whole sum for which the notes were given might be declared immediately due. It was held that such provision did not destroy the negotiability of the note.

In the case of *Chicago Railway Equipment Company v. Merchants Bank*, 136 U. S. 283, Justice Harlan, speaking for the Supreme Court, said:

"If the notes had been in the usual form of promissory notes, and the maker had given a mortgage back to the payee, the title would technically have been in the payee until they were paid. But they would, in such case, have been negotiable securities protected in the hands of bona fide holders for value against secret defenses, and their immunity from such defenses would have been communicated to the mortgage itself. In *Kenicott v. Supervisors*, 16 Wall. 452, 469, it was said that where a note secured by a mortgage is transferred to a bona fide holder for value before maturity, and a bill is filed to foreclose the mortgage, no other or further defenses are allowed against the mortgage than would be allowed were the action brought in a court of law upon the note."

In the United States courts it has been held that the mere fact that a note contains on its face a reference to collateral security for the payment thereof, as where a note contains a provision that it is secured by a lien on real estate or that it is secured by mortgage, does not destroy its negotiability.

De Haas v. Dibert 70 Fed. 227.

Where, however, the mortgage provides that upon a failure of the mortgagor to pay taxes, they may be paid by the mortgagee and shall be added to the amount of the note and be recoverable in a separate action on the note, it has been held in the United States courts that such provision renders the amount of the note uncertain and destroys its negotiability.

Farquar v. Fidelity Insurance Co. Fed. Cas. #4676
Howell v. Toad, Fed. Cas. #6786.

A clear distinction is made in the Federal decisions between notes secured by mortgages which merely state that they are so secured and notes secured by mortgages which in terms adopt or incorporate into the note the terms of the mortgage. Thus, in the case of Klots v. Manufacturers Commercial Co., 179 Fed. 813, the promissory note^{was} in the usual form except that it concluded with the following words: "subject to the terms of the contract between maker and payee of October 25, 1905." The court in passing upon the note said:

"We think that whenever the payment of a note is expressly made subject to the equities growing out of, and defenses based upon, an existing or contemporaneous agreement, a person taking such note holds it subject to such equity and defenses."

It would appear from the above that where a promissory note states that it is "subject to the terms of a certain mortgage (or deed of trust) of even date herewith" there can be no question that in the United States courts terms contained in the mortgage militating against negotiability will affect the note.

RULE IN CALIFORNIA.

It seems that in California when a note is secured by a contemporaneous mortgage, whether on real or personal property, both instruments having been executed as part of one transaction, the said note, whether negotiable in form or not, is non-negotiable in fact if taken with notice of the existence

of the mortgage. Thus, in California, if a promissory note merely states, "this note is secured by mortgage (or deed of trust) of even date herewith," any person taking the note takes it subject to notice of the existence of the mortgage, and, therefore, subject to any equities existing between the original mortgagor and mortgagee. In cases where the note makes no mention of the fact that it is secured by mortgage and it comes into the hands of an innocent purchaser for value before maturity and without notice of the fact that it is secured by mortgage, the question of whether the assignee takes it free of equities seems to be in doubt in California.

The leading case on the subject in question, is that of Meyer v. Weber, 133 Cal. 681, decided in 1901, before the adoption of the Negotiable Instruments Act in this state. The note upon which the action was brought was negotiable in form. It contained, however, the following provision.

"This note is secured by mortgage of even date herewith".

And the mortgage contained provisions which, in the then existing state of law, would, if incorporated in the note, have destroyed its negotiability.

The court stated as follows:

"The only question presented is, whether the instrument in suit is a negotiable promissory note. The appellant contends that it is, and that it must be considered separate from and independent of the mortgage given to secure the same; that the clause, (this note is secured by mortgage of even date herewith,) may be disregarded as forming no part of the obligation to pay as specified in the note. But the mortgage was delivered at the same time as the note, relates to, the same subject matter and they form, substantially, one transaction. They must therefore be taken and considered together. . . An independent action on a promissory note secured by mortgage is prohibited in this state. There can be but one action for the recovery of any debt or the enforcement of any right secured by mortgage upon real estate or personal property, which action must be in accordance with the provisions of this chapter (C.C.P. 726) . . . The assignment and transfer of the note and mortgage in question, therefore, was without prejudice to any set-off or other defense existing in favor of the defendants, the same as though there had been no assignment and the action had been brought by the company to whom they were given."

In the case of Smiley v. Watson, 23 Cal. App. 409-412, decided without reference to the provisions of the Negotiable Instruments Law, the note provided that if the interest was not paid quarterly when due, the whole sum of principal and interest should become immediately due and payable at the option of the holder of the note. The court decided that this provision of the note itself destroys its negotiability. This, of course, has been changed in California since the passage of the Negotiable Instruments Law. By way of dicta, however, the court said:

"Appellants insist: 1. That there was no failure of consideration for the note and deed of trust; 2. Conceding such failure, the note was negotiable, acquired by defendant before maturity in good faith and for value, and hence not subject to the defense of want of consideration. . . .

"In support of the second proposition, that the note is negotiable, appellants insist that the giving of a mortgage to secure payment does not affect the negotiability of a note, citing the case of McDonald v. Randall, 139 Cal. 246, which holds that the giving of a mortgage to secure the payment of a negotiable promissory note does not affect its negotiability. This, however, is in direct conflict with the case of Meyer v. Weber, 133 Cal. 681; Briggs v. Crawford, 162 Cal. 129; and National Hardwood Co. v. Sherwood, 165 Cal. 1

"We are unable to distinguish a transaction where such a clause (maturing the note at the option of the holder upon default in payment of interest) is inserted in the note from one wherein it is omitted from the note, but inserted in the mortgage construed with and considered as a part of the note. If in the latter case it renders the note non-negotiable, its insertion in the note itself must for like reasons have like effect. The weight of authority elsewhere supports the contrary view, and we would be reluctant, by reason of the importance of the question as affecting the commercial interest, in following the doctrine announced in Meyer v. Weber, were it not for the fact that in the late case of National Hardwood Co. v. Sherwood, 165 Cal. 1, the Supreme Court, sitting in banc, reiterated the doctrine and reasserted that such provision contained in a mortgage, but omitted from the note, is obnoxious to section 3088 of the Civil Code, and renders the note non-negotiable."

In the case of National Hardwood Co. v. Sherwood (Supra) the note apparently contained no terms which would destroy its negotiability. The

mortgage, however, provided that upon default in the payment of interest on the note, the holder should have the option to declare the whole sum due immediately. The note and mortgage having been executed prior to the adoption of the Negotiable Instruments Act in this state, it was construed under the rules then existing, without reference to that act. The court held that the fact that the note stated upon its face that it was secured by a mortgage, rendered it non-negotiable. The opinion is in part as follows:

"It appears to be settled by the decisions of this court that where a note is secured by a mortgage on land, both being executed at the same times, or as parts of one transaction, the note, although negotiable in form, is not negotiable in law, where the purchaser takes it with knowledge of the existence of the mortgage It should be remarked, however, that in the present case and also in Meyer v. Weber and Briggs v. Crawford, the note recited that it was secured by mortgage. The result was that no person could receive the note as indorsee without notice of the fact that it was accompanied by the mortgage. There is nothing in any of the decisions which would support the claim, should a case arise, that, in the absence of any such recital in the note, one who should purchase it for value before maturity, in good faith and without knowledge or notice of the mortgage, could not hold it as a negotiable instrument and free from any defense which the maker might have as against the payee or any previous holder."

In the case of Metropolis Trust & Savings Bank v. Monnier, 169 Cal. 595, the appellants sought to avoid the effect of the dicta in the case last quoted by calling to the attention of the court the fact that the note contained no reference to the mortgage and that the mortgage contained no covenants not permitted in a negotiable instrument. The court, however, refused to sustain the contention, saying:

"The note and mortgage were made, executed and delivered simultaneously. All of the transfers involved in this litigation were of the note and mortgage. The plaintiff and first intervenor pray for relief based upon a covenant of the mortgage not contained in the note. So far as all of the parties to this litigation are concerned, the note and mortgage were known to be co-existent and interdependent. They were non-

negotiable. To make them so it was not necessary that the note should state upon its face that it was coupled with a mortgage."

Thus it can be said that the courts of California have gone only to this extent; they have held, inferentially at least, that the only case in which a note secured by mortgage can be negotiable is that such note makes no reference to the mortgage and that it shall have come into the hands of an innocent purchaser for value before maturity and without notice of the fact that it was ever secured by mortgage.

Meyer v. Weber, 133 Cal. 681.
Briggs v. Crawford, 162 Cal. 125,
Helmer v. Parsons, 18 Cal. App. 451,
Mentry v. Broadway Bank, 20 Cal. App. 389,
Taylor v. Jones, 165 Cal. 108,
Fuller v. Blinn Lumber Co. 32 Cal. App. Dec. 574,
Stoner v. Security Trust Co. 32 Cal. App. Dec. 30.

It has also been held in California that a collateral contract executed at the same time as a promissory note and referred to in the note will, if the contract contains any terms affecting negotiability, destroy the negotiability of the note.

Eyer v. Inter. Bank Corp. 262 Fed. 292-296.

" In the familiar application of the rule to notes secured by mortgages, frequently one of the instruments refers to the other. The rule is not changed when no such reference is made. In the hands of the original payee or of a transferee of the note with knowledge of the collateral agreement, whether or not the note is negotiable in form, it is non-negotiable in fact."

Spotten v. Dyer, 29 Cal. App. Dec. 503.

Doubt is expressed in some of the earlier California cases as to whether or not the provisions of a deed of trust will have the same effect as those of a mortgage in rendering the note non-negotiable. This doubt seems to have been resolved against the negotiability of such notes in the recent case of Quinn v. Rike, 33 Cal. App. Dec. 709 (Dec. 1920), wherein it is said:

"In January 1916, the defendant executed and delivered to her co-defendant a promissory note, negotiable in form, in the sum of \$2000.00. For the purpose of securing payment of the same she made and executed a deed of trust to a certain Title Insurance and Trust Company. The note was, therefore, non-negotiable."

In view of the unusual position taken by the courts of California, much difficulty was formerly encountered in this state in connection with the negotiability of bonds intended to circulate in the open market and secure which, underlying mortgages were given. In the case of Kohn v. Sacramento Electric, Gas & Railway Co., 168 Cal. 6, the court was called upon to pass upon the negotiability of certain bonds and interest coupons of the Sacramento Electric, Gas and Railway Company secured by a mortgage upon the real and personal property of the corporation. Indorsed upon each of the bonds was a certificate of the trustee to the effect that the bond was secured by a trust mortgage therein mentioned. An officer of the Trust Company in whose custody the bonds had been placed feloniously obtained a number of them and negotiated them to plaintiff who paid value therefor. The money paid by plaintiff for the bonds was not used for the benefit of the corporation. The bonds and coupons being payable to bearer, the purchaser contended that the corporation was not entitled to any defense to the payment thereof. The court decided that, although the bonds were payable to bearer and were intended to circulate without registration or indorsement, they were non-negotiable, saying:

"It is the contention of appellants that the bonds, being supported by a mortgage containing conditions not certain of fulfillment, and notice of the mortgage and its conditions appearing upon the bonds and coupons themselves, the bonds are not and cannot be negotiable instruments. In other words, appellants rely upon the rule announced in Meyer v. Weber, 133 Cal. 685 that a note secured by a mortgage on land, both being executed at the same time as part of one transaction, is not negotiable in law, even if negotiable in form, where the purchaser takes it with

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knowledge of the existence of the mortgage
 There is no essential difference between the two kinds
 of instruments and we see no escape from the logic of
 the position of appellants that a bond like a note, if
 dependent upon a mortgage, is subject to all equitable
 defenses against a holder with notice.
 There seems to be no good reason why bonds should be
 placed in a class governed by different principles
 than those applicable to notes."

In order to avoid the effect of this decision and to place bonds on
 a different footing from ordinary promissory notes secured by mortgages,
 the 1921 session of the California Legislature passed the following law:

"Bonds payable to bearer or holder shall be negotiable, not-
 withstanding any conditions contained therein or in the mortgage,
 deed of trust or other instrument securing the same."

(Chap. 344 Cal. Session Laws 1921; in effect July 29, 1921.)

Summarizing, it may be said, therefore, that all promissory notes se-
 cured by mortgages or deeds of trust on real or personal property in Cali-
 fornia are non-negotiable in the hands of a transferee, even though the
 transfer be made for value and before maturity of the note, provided the
 transferee takes with actual or constructive notice of the existence of the
 supporting mortgage. The only exception to this rule is that in reference
 to bonds payable to bearer or holder, referred to above.

RULE IN WASHINGTON

The rule in the State of Washington seems to be that if the note is
 negotiable upon its face, even though it refers to the fact that it is se-
 cured by a contemporaneous mortgage and even though the mortgage contains
 provisions which if incorporated in the note might render it non-negotiable,
 the note is negotiable. In so holding, it will be seen that the courts
 of the State of Washington have reached a conclusion in accordance with the
 general rule and exactly opposite to the conclusion reached by the courts
 of the State of California. This rule, however, only applies where the

promissory note does not in terms adopt and incorporate as part of the contract the provisions of the mortgage. Where the promissory note contains such terms as "This note is subject to all the terms and conditions of a certain mortgage executed of even date herewith," or other similar terms, the note and mortgage are construed as one contract and any terms contained in the mortgage which, if contained in the note would affect its negotiability, will have a like effect and will destroy the negotiability of the note.

In the case of *Berker v. Sartori*, 66 Wash. 260; 119 Pac. 611, the notes were secured by mortgages which contained stipulations requiring the maker to pay, in addition to the principal debt and interest, such sums as the mortgagee might be required to incur for insurance, taxes and assessments on the land. It was argued that the mortgages should be construed with the notes and that the aforesaid provisions rendered the amount to be paid uncertain. The court stated:

"It is apparent that the notes in this case were negotiable instruments. . . . The fact that the interest was payable in installments does not render the notes uncertain. . . . We are satisfied that the provisions of the mortgages were not imported into the notes, so as to render them non-negotiable." Citing

Thorpe v. Mindemand, 123 Wisc. 149; 101 N. W. 417.
Farmers Bank v. Mc Call, 25 Okla. 600; 116 Pac. 866
American Savings Bank & Trust Co. v. Helgesen, 116 Pac. 837.

So also in the case of *Bright v. Offield*, 81 Wash. 442; 143 Pac. 159, the court, in passing upon negotiability of a note which referred to a mortgage securing it, said:

"According to what we believe to be the better rule, a mortgage securing a note, though referred to in the note, but without expressly adopting its conditions, is merely ancillary to the note, and the conditions found in the mortgage alone will not change the character of the note as a negotiable instrument. The promise to pay is held to be a distinct agreement from the mortgage and if couched in proper terms, the note is negotiable."

The same conclusion was reached in the cases of Lovell v. Musselman, 81 Wash. 476; 142 Pac. 1143, and Moore v. Burling, 93 Wash. 217; 160 Pac. 420, although by a slightly different process of reasoning.

Summarizing, it may, therefore, be said that in the State of Washington the only manner in which the negotiability of a promissory note, otherwise in proper form, can be destroyed is by placing in the note a reference to the mortgage adopting the terms of the mortgage as part of the note. Even in such event, it is my opinion that the negotiability of the note would not be destroyed unless the mortgage contained terms repugnant to the provisions of the Negotiable Instruments Act. In the State of Washington, subject to the foregoing exception, a purchaser of a promissory note negotiable in form for value and before maturity takes the note free from any equities existing between the mortgagor and mortgagee.

RULE IN OREGON

In Oregon the fact that a promissory note is secured by a chattel mortgage does not, of itself, affect the negotiability of the note. In those cases where the mortgage contains provisions which, if incorporated in the note would destroy the negotiability thereof, such provisions are not imported into the note and do not affect its negotiability unless incorporated therein by direct reference in the note to the mortgage and adoption of its terms.

In other words, the courts of the State of Oregon have followed the majority rule. In the case of Bailey v. Inland Empire Company, 75 Oregon, 309; 146 Pac. 991, the rule is stated in the following language.

"A mortgage, being merely an incident to the note which it secures, the assignment of the former cannot hamper or destroy the negotiability of the latter. No question is made about the note being negotiable on its face."

The same rule, however, applies in Oregon, which applies in practically all other jurisdictions; that is, that where the note expressly adopts the mortgage and states that it is subject to the terms and conditions thereof, all the terms of the mortgage are imported into the note and any of such terms which, if contained in the note would destroy negotiability, will have a like effect, though contained in the mortgage. Thus, in the case of *Hull v. Angus*, 60 Ore. 95, 118 Pac. 284, the note stated as follows:

"This note is given as a part of the purchase price of real property and is secured by mortgage of even date herewith, and is subject to all the terms and conditions of said mortgage."

The court, in passing upon the negotiability of this note, said:

"An instrument to be negotiable must contain, among other things, an unconditional promise or order to pay a sum certain in money. . . . It would be doing violence to the language to say that the note is unconditional, when it expressly says upon its face that it is subject to conditions. The reference to the mortgage by the terms of the note is in effect making the note and mortgage one instrument, with the conditions rendering the note non-negotiable."

This decision, as stated above, is merely in conformity with the general rule on this subject. The court in this case recognizes a contrary holding wherein it states:

"There are, however, numerous decisions to the contrary. Many of the courts hold that the provisions of the mortgage do not affect the negotiability of the note, otherwise negotiable, because the provisions of the mortgage relate solely to the security."

The leading case in Oregon on the subject of the negotiability of promissory notes secured by mortgages is that of *Page v. Ford*, 65 Ore. 450; 131 Pac. 1013. The note in this case was given as part of the purchase price of certain real estate and personal property. On the margin of the note these words were written:

"This note is secured by mortgage of even date given to secure the balance of the purchase price of the property described in said mortgage."

The mortgage, it seems, provided that the mortgagor should pay all taxes assessed upon the land covered thereby as well as all taxes that might thereafter be assessed on the note. The court, holding the note negotiable, stated as follows:

"The third proposition raises the question as to whether the provision in the mortgage requiring the mortgagor to pay all taxes that might thereafter be assessed on the note renders the amount due thereon uncertain, and therefore non-negotiable. It is contended by respondent with much plausibility that the note and mortgage, having been given at one time and as part of the same transaction, should be construed together as one instrument. The logical effect of this argument would be to incorporate into the note, and into every other note executed simultaneously with and to secure a mortgage every stipulation of the mortgage. While this result does not seem to have been fully apprehended by courts holding the views hereinafter considered, it cannot be denied that the position of counsel for respondents has respectable authority to support it. . . . The conclusions drawn in the cases noted seem to us to be supported neither by sound logic nor public policy. Their logical result is to make every promissory note secured by real estate mortgage a part of the mortgage, and subject to all its stipulations and conditions, thereby reducing it to a mere contract not negotiable. They assume that when parties sit down and execute a promissory note, negotiable by its terms, and secure it by a mortgage, they intended as a matter of law to do the thing that as a matter of fact they never thought of doing, namely, to make a non-negotiable note. As a matter of public policy, such holdings tend to discredit and cheapen commercial paper and to render purchasers thereof suspicious of investing in it when secured by mortgages, often held and recorded at a distance from the place where such paper is offered for sale. . . . It is hardly conceivable that it was the legislative intention to render notes so secured non-negotiable."

It may be said, therefore, that in Oregon all notes negotiable upon their face, remain negotiable even through secured by mortgage unless by the terms of the note, the mortgage and note are made one contract.

RULE IN IDAHO

In Idaho, as in California, a mortgagee may not waive his security and sue upon the note as an unsecured debt. Section 5949 of the Compiled Statutes of Idaho (1919), provides that but one action may be brought for the recovery of any debt or the enforcement of any right secured by mortgage

upon real estate or personal property, which action must be in accordance with the provisions of the chapter relative to foreclosure.

Cederhold v. Looftorrow (Ida. 1886) 9 Pac. 641,
Advance Thresher Co. v. Whiteside (Ida. 1891), 26 Pac. 660.

In the case of Barnes v. Buffalo Pitts Co. (Ida. 1899) 57 Pac. 267, the court holds that no money judgment can be rendered on debts secured by chattel mortgage until the security is exhausted, thus holding, at least inferentially, that the security cannot be waived. It would seem that if the holder of the note could waive the security afforded by the mortgage and sue on the note as through unsecured, the negotiability of the note must, of necessity, be determined from the provisions contained therein, without reference to the mortgage.

The effect of securing a promissory note by mortgage has not been specifically passed upon in the State of Idaho. In the case of Lewis v. Sutton (Ida. 1912) 122 Pac. 911, the court uses language which seems to lead to the conclusion that the note and mortgage will be construed together and that any terms contained in the mortgage destroying negotiability will be imported into the note. The court in this case says:

"In a proceeding, therefore, to foreclose a mortgage securing promissory notes, the action is founded upon the notes and mortgage. The foreclosure proceeding is the one action that can be maintained, and the notes and mortgage are inseparably connected The notes themselves are merely evidences of the indebtedness, and the fact that the notes provide that if suit be brought upon them there shall be allowed a reasonable attorney's fee does not change or alter the conditions in the mortgage to the effect that the fee shall be ^astipulated sum."

The court in the case of Clark v. Paddock, (Ida. 1913) 132 Pac. 795, also seems to hold that the note and mortgage are inseparable and, inferentially at least, that any terms contained in the mortgage which destroy negotiability will be construed with the note. As stated above, however, the question under discussion has not been specifically passed upon in Idaho and the law in that state is in a very unsatisfactory condition. On account of the similarity between the laws of Idaho and California relative to mortgages,

I am inclined to the belief that the courts of Idaho will, when called upon, follow the rule laid down in California, and will hold that the note and mortgage are to be construed together as one contract, and that, where the holder of the note takes with notice of the fact that it is secured by mortgage, he takes it subject to all the terms and conditions of the mortgage.

Dighton v. First Exchange Nat. Bank (Ida. 1920) 192 Pac. 832.

Mullen v. Gooding Implement Co. (Ida. 1911) 113 Pac. 566,

Bank of Montpelier v. Montpelier Lumber Co. (Ida. 1909)
102 Pac. 685,

Rein v. Callaway (Ida. 1901) 65 Pac. 63.

RULE IN UTAH

The law in Utah relative to the subject under discussion is even less fully developed than in Idaho. As in Idaho the question as to whether or not the provisions of the mortgage or collateral agreement may render the note non-negotiable turns somewhat upon the consideration of whether one holding a note secured by mortgage may waive the security and sue upon the note. If the holder of the note and mortgage may waive the security, it is difficult to see how any provisions of the mortgage can affect the negotiability of the note.

Section 7230 of the Compiled Laws of Utah provides that there can be but one action for the recovery of any debt or the enforcement of any right secured by mortgage upon real estate or personal property, which action must be in accordance with the provisions of the law relative to foreclosure. The only exception to the above rule^{is} that where the subject of the mortgage has ceased to exist or has become valueless, without the fault of the mortgagee, an action on the note, without foreclosure of the mortgage may be brought. In this respect the laws of Utah are similar to those of California.

The leading case in Utah on this subject is that of Donaldson v. Grant (Utah 1897), 49 Pac. 779. This case was decided before the adoption of the

Negotiable Instruments Law in Utah. There is, however, nothing in the later decisions of the Supreme Court of the State of Utah to indicate that the rule laid down in that case has been changed. In the case referred to the note secured by the mortgage contained the following provision:

"If default be made in the payment of any of the interest after it becomes due or failure to comply with any of the conditions or agreements contained in the mortgage given herewith, then said principal sum, with the accrued interest thereon, shall, at the option of the holder of the note, become due and payable."

It was held that this provision rendered the note non-negotiable.

It is to be noted, however, that this case is not decisive of the question of what effect a mortgage merely referring to a promissory note which it secured would have upon the note.

The mortgage in the Donaldson case contained many terms which would destroy negotiability if contained in the note and in view of the fact that the note adopted all of the terms and conditions of the mortgage, the court could hardly have held otherwise. We are left without advice as to what the court would have held had this incorporating language been left out of the note itself. The Donaldson case has not been referred to again in the Utah decisions and is still the latest decision in that state upon the point of inquiry.

The case of Frost v. Fisher (Colo) 58 Pac. 872 Page v. Ford, supra, and Thrope v. Mindeman (Wisc.) 101 N. W. 417, referring to the case of Donaldson v. Grant, differentiate it from cases in which the note does not adopt the terms of the mortgage. While there seems to be a general tendency among all the courts to uphold the negotiability of notes which are plainly negotiable upon their face, irrespective of the terms contained in the collateral security, it is impossible, in view of the present lack of authoritative statement in Utah, to say what the courts of that state will determine as to the negotiability of notes secured by mortgages in which the note merely refers to character of the security.

RULE IN ARIZONA AND NEVADA

In neither Arizona nor Nevada do we find any authoritative statement on the subject under discussion. This, however, is not surprising as the decisions of these two states are, as a whole, somewhat lacking in interpretations of substantive law. We do find certain decisions, however, which, while not in point, show the trend that the courts of these states have taken in regard to the negotiability of notes secured by mortgages.

In the case of *Burling v. Goodman*, 1 Nev. 314, the following significant language is used:

"The quality or character of the contract is in no wise affected because the debt created thereby has been secured by mortgage. The security is merely an incident to the debt contracted and sought to be recovered."

The only other case found in the Nevada Reports which even remotely passes upon the matter is that of *Dixon v. Miller*, 43 Nev. 280; 184 Pac. 926. In this case, in a suit upon a promissory note secured by chattel mortgage a defense of failure of consideration was urged. The plaintiff, however, was the payee of the note, so that the question of the rights of a bona fide holder were not involved. The note in question was negotiable in form and merely referred to the fact that it was secured by chattel mortgage of even date. The court said:

"Absence or failure of consideration is a matter of defense as against any person not a holder in due course. Appellant is not a holder in due course, but is the payee thereof and therefore under the statute the respondent is entitled to defend by impeaching the consideration of the instrument."

It may be said from the above that the court intimated that if the note and mortgage had passed to a bona fide holder before maturity, it would have so passed free of any equities and immune from any defenses of failure of consideration. Thus it may be said that the courts in Nevada seem to differentiate between the contract entered into through the note and that entered into through the mortgage and that a negotiable promissory note would pass to a bona fide holder, before maturity, free of any equities or defenses arising out of any matter contained in the mortgage. More than this cannot be said of the Nevada decisions.

In Arizona, while the matter has not been directly adjudicated, we find some more authoritative statements.

In the case of *Newman v. Fidelity Savings & Loan Association*, 14 Ariz. 354; 128 Pac. 53, an assignee of the mortgage failed to record the assignment to him of that instrument. The original mortgagee fraudulently released the mortgage he had assigned and the property being so cleared of encumbrance, was unencumbered by a new mortgage. The court held that the rights of the second mortgagee, accruing after the fraudulent releases, were superior to those of the original mortgagee, saying:

"A negotiable note passes by indorsement, carrying with it the mortgage collateral thereto. A bona fide holder of a negotiable note before maturity takes it clear of all equities."

In the case of *Slaughter v. Bank of Bisbee* (Ariz. 1916) 154 Pac. 1040, the note was negotiable in form. It, however, contained a notation "for payment under contract of even date." Suit was brought by a purchaser before maturity and was resisted upon the ground that the contemporaneous contract referred to in the note had been broken. The court held the note to be negotiable upon the ground that the reference was merely one to the transaction from which the note arose and did not

subject the payment of the note to a contingency.

"The usual way to condition or to make contingent a promise to pay is to use language clearly carrying that intention and purpose, either by direct expression or by reference to some extrinsic contract in such manner as to make the payment of the note subject to the terms and conditions of the contract."

This case leads to the conclusion that a reference in a note, otherwise negotiable, to the fact that it is secured by mortgage, would have no effect upon the negotiability of the note.

In the case of *Edwards v. Dealers Ice Company* (Ariz. 1915) 145 Pac. 908, the note referred to a certain chattel mortgage on personal property of even date given to secure the note. The question as to whether an alleged illegal provision in the chattel mortgage invalidated the note was raised and the court said:

"The note is an independent contract from the contract of surety. The mortgage is only to secure the payment of the note, and the appellant contends that the chattel mortgage and the note it was intended to secure are void, because the note on its face refers to the chattel mortgage as securing it, and the chattel mortgage contains an illegal provision Here we have a note referring to another instrument made at the same time, alleged to contain an illegal condition. The note is clearly severable and separable from the chattel mortgage instrument The note may be enforced and the mortgage containing the said provision may be disregarded."

From the above decisions, I am of the opinion that, when called upon to pass upon the matter, the courts of Arizona will hold:

1. That the mere fact that a note is secured by mortgage does not, of itself, affect the negotiability of the note;
2. That the note and mortgage even though executed simultaneously are separate instruments and that a reference in the note to the fact that it is secured by mortgage will not affect the negotiability of a

note otherwise negotiable; and

3. Even though the contemporaneous mortgage contains provisions which, if incorporated in the note would destroy its negotiability, the holder of the note is at liberty to disregard the mortgage security and sue upon the note as though it were unsecured; therefore, that terms destroying negotiability contained in the mortgage will not, unless incorporated in the note by appropriate terms contained therein, affect the negotiability of the note secured thereby, otherwise negotiable in form.

OTHER JURISDICTIONS

COLORADO

In the case of *Frost v. Fisher*, 13 Colo. App. 322; 58 Pac. 372, a mortgage given to secure a note, which was on its face negotiable, provided that, in case the mortgagor failed to pay the taxes on the property or the premiums of insurance thereon, the holder of the note might pay such taxes or premiums and the amount so paid would become an additional indebtedness secured by the same mortgage. The mortgage also provided that in case of sale, the mortgagee should apply the proceeds to the payment of the additional indebtedness and then to the payment of the note. It was held that the additional indebtedness was a distinct debt chargeable to the land alone and that it did not pertain to the note in such manner as to render the amount thereof uncertain and the note non-negotiable. The court said:

"A mortgage may contain a personal covenant so expressed that the terms of the note would be modified and controlled by it. In such case, the covenant would be imported into the note and, in determining the obligation and liability of the maker,

should be construed with the note as part of it.
But we do not think that the rule applies to a covenant which is inserted purely for purposes of security and for the enforcement of which resort can be had only to the property mortgaged."

DISTRICT OF COLUMBIA

In the case of *Brewer v. Slater*, 18 App. (D.C.) 48, the court follows the majority rule, using the following language:

"It requires no citation of authority to show that a negotiable note secured by mortgage upon land loses none of its attributes by reason of that fact. The mortgage is an incident to the debt and passes with its assignment. The debt evidenced by the note gives character to the mortgage and protects it from equities between the mortgagor and the mortgagee in behalf of bona fide holders of the note for value. A mortgage, with or without power of sale, detracts nothing from the quality of the debt which it secures though it may add commercial value through its lien. That the note may recite or show upon its margin, which seems to be the general custom, that it is secured by mortgage or other lien, cannot affect the doctrine stated."

ILLINOIS.

The minority rule is followed in Illinois, where it is held that where resort is had by the holder to the mortgage security, the mortgage follows the note and that the note in the hands of assignee is subject to any defense which would avail against it in the hands of the mortgagee himself, although the assignee may have purchased the note in good faith for a valuable consideration and before maturity.

White v. Sutherland, 64 Ill. 181
Olds v. Cummings, 31 Ill. 183.

In the case last cited the rule is stated in the following language:

"The note itself, though secured by a mortgage is still commercial paper; and when the remedy is sought upon that, all the rights incident to commercial paper will be enforced in the courts of law. But when the remedy is sought through the medium of the mortgage,

when that is the foundation of the suit and the note is merely used as an incident, then courts of equity must look deeper in the transaction and see if there be any equitable reason why it should not be enforced."

This case is a leading authority in Illinois on the subject and has been followed in the following cases:

Couton v. Cameron, 205 Ill. 50; 87 N. E. 300, Romberg v. McCormick, 194 Ill. 205; 62 N.E. 537, Chicago Title Co. v. Alff, 183 Ill. 91; 55 N.E. 659; Buehler v. McCormick, 169 Ill. 269; 48 N.E. 237, McAuliffe v. Reuter, 166 Ill. 491; 46 N.E. 1087.

It should be said that the courts of Illinois have often shown dissatisfaction with the rule as established in the case of Olds. v. Cummings and have on occasions sought to restrict rather than extend it. Thus, the rule has been held not applicable to an assignee or holder of accommodation paper secured by mortgage.

Miller v. Larned, 103 Ill. 562.

And the courts have refused to extend the rule to deeds of trust given to secure railroad coupon bonds intended to be thrown on the market and circulated as commercial paper.

Peoria Railroad Co. v. Thompson, 103 Ill. 137.

IOWA

In Iowa it has been held that a stipulation on the back of a note that it was secured by mortgage and that the payee agreed to look to the mortgage security for the payment of the note, became part of the note and rendered the note non-negotiable.

Allison v. Hollenbeack, 133 Iowa, 479; 114 N.W. 1059.

This decision, however, is merely in conformity with the general rule that where the note adopts or incorporates into it the terms of the mortgage, its negotiability will be controlled by such terms.

The courts of Iowa, however, in one case at least, seem to have adopted the minority rule to the effect that the negotiability of the note may be destroyed by terms contained in the mortgage executed simultaneously with the note even though the holder of the note may have had no notice of the mortgage at the time he accepted the note.

In the case of Iowa National Bank v. Carter, 144 Iowa, 715, 123 N. W. 237, the notes were secured by chattel mortgage executed as part of the transaction. The mortgage provided that the whole debt should become due in case of the sale or removal of the property by the mortgagor with the consent of the mortgagee or in case the latter deemed himself insecure. The court said:

"We are satisfied that by reason of recitals in the mortgage, not only the time of payment, but the amount thereof, was uncertain and subject to a contingency, and that the notes were non-negotiable, and are subject to the defenses pleaded in the hands of the holder, although he may have had no knowledge or notice thereof when he took the notes."

This case was decided under the provisions of the Negotiable Instruments Law.

An opposite position seems to have been assumed by the Iowa courts in the later case of DesMoines Savings Bank v. Arthur, 163 Iowa, 205; 143 N. W. 556. The note in this case provided:

"This note is secured by a mortgage on 101 acres of land in Madison County, Iowa."

The court, in holding the note to be negotiable, stated as follows:

"The purpose of the mortgage was to afford security for the payment of the note, and all the conditions except one relate to the protection and preservation of the security. These have no bearing on the engagements contained in the note. While the note and mortgage are to be construed together, this does not mean that the

provisions of the mortgage are thereby incorporated into and became a part of the note . . . As the provisions in the mortgage did not render the amount payable on the note uncertain, the note cannot be denounced as non-negotiable on this ground. Nor did the clause giving the mortgagee on breach of certain conditions, the election to declare the entire indebtedness due. . . . Decisions to the contrary may be found on both of the foregoing propositions, but our conclusion has the support of the great weight of authority."

It is to be noted, however, that in Iowa there was at the time this decision was rendered, a statute (section 3428, Civil Code) by virtue of which a separate action would have been maintained on the note independently of the mortgage.

KANSAS

The courts of Kansas have repeatedly held that the note and mortgage are one transaction, constituting one contract and must be construed together as if they were parts of one instrument. They have also held that any terms in the mortgage which, if included in the note would destroy its negotiability, will have the same effect though incorporated in the mortgage.

- Cabbel v. Knot, 2 Kans. App. 68; 43 Pac. 309,
- Chick v. Willetts, 2 Kans. 379.
- Muzzy v. Knight, 8 Kans., 306.
- Meyer v. Graeber, 19 Kans. 166.

The general rule that where a note otherwise negotiable in form refers to the mortgage by which it is secured and incorporates the mortgage as part of the contract, the negotiability of the note will be affected by the terms of the mortgage has also been followed in Kansas.

Chapman v. Steiner, 5 Kans. App. 326; 48 Pac. 607,
Wistrand v. Parker, 7 Kans. App. 562; 52 Pac. 59
Jones v. Dulick (Kans App) 55 Pac. 522.
Wright v. Shimeck, 8 Kans App. 350; 55 Pac. 464.

MICHIGAN

The two leading cases on the subject in Michigan are those of Brooke v. Struthers, 110 Mich. 562; 68 N.W. 272; 35 L.R.A. 536, and Wilson v. Campbell, 110 Mich., 530; 35 L.R.A. 544. These two decisions, apparently without any distinguishing characteristics, decided by the same court, at the same term, seem to be in direct conflict. The note in the case of Brooke v. Struthers, contained the following provision:

"This note is of even date with a certain real estate mortgage made by the maker hereof to the payee and collateral hereto."

The mortgage by its terms, required the mortgagor to pay all taxes and assessments upon the property. The court in holding the note non-negotiable said: (p. 575)

"In the present case, the mortgage binds the mortgagor to pay all taxes and assessments upon the premises. Now if this might be said to be a provision to protect the security and therefore not affecting the note, yet when it provides in addition that when the mortgagor shall leave any tax or assessment, valid or invalid, unpaid for thirty days, that such taxes and assessments, whether previously paid by the mortgagee or not, and the whole amount of principal and interest shall become due and payable immediately, it injects into the obligation a contract, as much as though the maturity and amount of the obligation were to depend upon any other act or service agreed upon, calculated to enhance or maintain the value of the security. . . . A mortgage executed simultaneously with the note is a part of the contract and they are to be construed together And where the note is secured by a mortgage, and there is a provision in the mortgage contained not contained in the note, it will control Several cases have

been cited to the proposition that 'when a note secured by mortgage is transferred to a bona fide holder for value before maturity and a bill is filed to foreclose the mortgage, no other or further defenses are allowed against the mortgage than would be allowed were the action brought in a court of law upon the note.' But this proposition does not militate against the contention that the note and mortgage are to be construed together, for a court of law would be bound to notice and apply the rule, and equity might do the same. We have been unable to find any case which holds or implies that the negotiability of a note will not be taken away by provisions which affect the certainties requisite to negotiable paper contained in a contemporaneous mortgage to which the note refers. We do, however, find cases which hold that a mortgage partakes of the negotiable character of the note so long as the provisions of the mortgage are not inconsistent with negotiability By reason of the provision which renders the note uncertain in time of payment and which ingrafted upon it certain contract obligations, the note was rendered non-negotiable unless, as already said, the holders of these notes are to enjoy immunity because of some peculiar sanctity arising from the fact that the mortgage not the note contains the stipulation."

The case of *Wilson v. Campbell*, supra. was decided upon almost identical facts. The mortgage, securing the note, provided that the mortgagor should pay all taxes levied upon the property and that upon thirty days failure so to do, after the same became due, the note should become immediately payable. The only difference between this case and the *Brooke* case was that the mortgage did not provide that the unpaid assessments should be added to and become a part of the indebtedness. The court held that the provision for the payment of taxes, being a burden resting in any event upon the mortgagor, did not destroy the negotiability of the note. The line of demarkation between the two cases is, to say the least, very difficult to find.

MISSOURI

It has been held in Missouri that a note and deed of trust, executed simultaneously, constituted one transaction and that one

taking them with notice of the terms of the deed of trust takes it subject to all of the provisions of such terms.

Brownlee v. Arnold, 60 Mo. 79,
Naples v. Jones, 62 Mo. 443,
Noell v. Gaines, 68 Mo. 649.

These decisions, however, were expressly overruled in the case of Owings v. McKenzie, 133 Mo. 323.

In the case of City National Bank v. Goodloe, 93 Mo. App. 123-136, the court says:

"The defendant further contends that the note and mortgage must be construed together as one instrument and that the conditions set forth in the latter render the former non-negotiable. But this contention we are unable to concede to defendant The law now prevailing in this state is to the effect that a mortgage is a mere security creating a lien upon the property. The debt secured by the mortgage is the principal thing and the mortgage a mere incident, following the debt wherever it goes and deriving its character from the instrument which evidences the debt."

The rule has been affirmed by the Federal court interpreting the Missouri statute in the case of Kennedy v. Broderick, 216 Fed. 137, wherein the doctrine in this state is well set forth in the following language:

"If two instruments are executed at the same time, in the course of the same transaction, and covering the same subject matter, they are to be read and construed together as one instrument. But this doctrine does not apply to a transaction in which two separate and distinct matters are involved. Each is to be construed and interpreted as a complete entity, whether they be written in one paper or several.

"An unconditional promise to pay a certain sum at a certain time is a matter apart from security by way of deed of trust or mortgage of land or pledge or mortgage of chattels. One is governed by the law merchant and the other by property laws. The owner

may rely if he chooses, exclusively upon the promise to pay according to its terms. Conditions for his benefit in the mortgage or pledge agreement may be availed of only in his capacity of mortgagee or pledgee. They are limited to the purposes of the mortgage or pledge. They can not be read into the promise to pay, and so render a certain promise uncertain or convert a negotiable instrument into a non-negotiable instrument."

The same doctrine is affirmed in the case of *Goodfellow v. Stillwell*, 73 Mo. 17. In this case the plaintiff purchased before maturity a negotiable promissory note secured by a deed of trust. Payment had, in fact, been made to the trustee on account of the note before it passed to the transferee. It was held, however, that the transferee having no knowledge of the payments was not bound by them and took the payment free from any equities existing between the maker and the trustee.

MONTANA

In Montana the same law exists as that in California; that is, that but one action can be brought for the recovery of a debt or the enforcement of a right secured by mortgage, which action must be in foreclosure.

The Montana courts seem also to have followed the California decisions in holding that a reference in a note to the fact that it is secured by mortgage will render the note non-negotiable if the mortgage contains any terms rendering the amount or medium of payment uncertain. The leading case in this state (and one which has been much criticized by the courts of other states as being bad law) is *Cornish v. Woolverton*, 32 Mont. 456; 81 Pac. 4.

The note in this case merely refers to the fact that it was secured by mortgage of even date. Both the note and mortgage were assigned, prior to maturity, to a purchaser for value and the assignment was recorded. The makers of the note defended, upon the ground that the indebtedness had been paid to the original mortgagee prior to notice of the assignment. The court after reviewing the conflicting decisions upon the question said:

"For another reason it (the note) is non-negotiable. It refers on its face to the mortgage. Section 2207 of the Civil Code provides: 'Several contracts relating to the same matters, between the same parties and made as parts of substantially one transaction are to be taken together.' Under the rule of construction here declared, the conditions and stipulations embodied in the one must be construed to enter into and constitute a part of the other, so that, if the mortgage referred to in the note contains conditions which render the note uncertain as to the amount to be paid and the time of payment, these must be read into the note. The two must be read and construed together to ascertain the nature of the agreement upon which the negotiable character of the note depends. The reference to the mortgage brings to the notice of every one dealing with the note all the conditions attached, so that, even though it should be held negotiable so far as concerns the conditions expressed upon its face, its negotiable character must be determined by the provisions of the mortgage. This section of the statute sets at rest any question which might otherwise exist as to the rule of construction applicable. (Citing Meyer v. Weber, 133 Cal. 681).

"Apart from the statute, there is a conflict in the decisions; the courts of some states applying the rule declared by the statute, but others holding that the conditions contained in the mortgage do not affect the character of the note secured thereby. In this state the mortgage is but an incident, and passes to the assignee of the note. This, however, does not affect the application of the rule, for it is the general rule in this country that a mortgage does not convey the legal title but is a mere lien to secure the performance

of the contract to which it is an incident
The mortgage in this case contains a number of conditions, among them that the mortgagor will pay all taxes imposed upon the mortgaged property or against the holder of the mortgage Construing this condition as a part of the note, it is clearly non-negotiable The contention is also made by the appellants that a note, though negotiable in form, if secured by mortgage, is not negotiable in this state, even though it contains no reference to the mortgage, and without regard to any conditions contained in the latter. Inasmuch as the question involved is one of importance, we prefer to reserve a decision of it until a case arises in which we may have the advantage of full argument."

The latter question referred to in the above decision and upon which the court did not pass in that case seems to have been decided against the negotiability of the note when the note, though not referring to the mortgage, comes into the hands of the transferee with knowledge of the existence of the mortgage, in the case of *Buhler v. Loftus*, 53 Mont. 546; 165 Pac. 601.

This case was decided in 1917 and after the adoption in Montana of the Negotiable Instruments Law. This was an action brought by A. J. Buhler, the maker of the note and mortgage, against John H. Loftus and other transferees. The court said:

"The note did not refer to the mortgage and upon its face was negotiable. If it had been transferred by indorsement, without mention of the mortgage, what rights would have been acquired would have depended upon the solution of a different question from that before us The transfer, however, was made by written assignment of the note and mortgage both. John H. Loftus, therefore, took it with full knowledge that it was a mortgage note, collectible by him only as such. It therefore did not come into his hands as a 'courier without luggage' but as a non-negotiable instrument subject to all the equities

existing in favor of J. M. Buhler at the time he received it. This was expressly so held by this court in *Cornish v. Woolverton* and that case is conclusive of this."

It may, therefore, be said that in Montana one who takes a note, even before maturity, and for value, with knowledge of the fact that the note is secured by mortgage, accepts it subject to all the terms and conditions of the mortgage which, if repugnant to negotiability, will destroy the negotiability of the note.

NEBRASKA

The leading case on the subject in Nebraska is that of *Garnett v. Meyers*, 65 Neb. 230-239; 91 N. W. 400; 94 N. W. 303.

The court in that case adopted the rule that if agreements in regard to the indebtedness are inserted in the accompanying mortgage executed as part of the same transaction, they must be construed with the note. If such agreements render the amount that the holder of the note can demand on the indebtedness itself uncertain, the note is non-negotiable in the hands of one who takes it with notice. The court said:

"The reasonableness of this rule would probably not be doubted in case the accompanying paper was not a mortgage, but was executed for the sole purpose of modifying the terms of the note or to make its payment dependent upon conditions expressed in the accompanying paper. The reason seems to be equally apparent when modifications of the terms of the note or limitations imposed upon the collection of the indebtedness itself are inserted in the accompanying mortgage. Such provisions in the mortgage are to be construed with the note. If the contract, so construed, renders the amount that may be determined upon the indebtedness itself uncertain, the one who takes the note with notice of the limitations in the mortgage is not entitled to protection as an innocent holder

It is well settled in this state, that although a note is absolute in form, every provision affecting the same or the amount or manner of payment, that is the contract in regard to the indebtedness itself, contained in the mortgage given to secure it, made contemporaneously, affects the note in precisely the same manner and to the same extent as though included with it on the same piece of paper, as to all persons chargeable with notice."

The case of Roblee v. Stockyards National Bank (1903) 95 N. W. 61, lays down the rule that a note otherwise negotiable is not rendered non-negotiable merely by a provision for or reference to collateral security; but that when the note and mortgage are executed together they must be construed together and any terms in the mortgage repugnant to negotiability will have a like effect upon the note. A similar conclusion was reached in the case of Conserdine v. Moore, 65 Neb. 291; 91 N. W. 399, on which case the court refused to uphold the contention that the provisions in the mortgage related merely to the preservation of the security and did not affect the negotiability of the note.

No very recent decisions upon this subject in Nebraska were found. It may be said that the rule in that state, as indicated by the above authorities, is that one who takes a note secured by mortgage with notice of that fact is chargeable with all the conditions of the mortgage and that the two being construed together, the negotiability of the note will be regulated by the provisions of the mortgage.

OKLAHOMA

It has been held in Oklahoma that a provision for attorney's fees in case of foreclosure incorporated in the mortgage does not affect the negotiability of the accompanying note although such provision, if incorporated in the note, would destroy its negotiability.

Farmers National Bank v. McCall (Okla. 1910)
106 Pac. 866.

This decision was rendered before the adoption in the State of Oklahoma of the Negotiable Instruments Act. The court, reviewing the conflicting decisions on the question said:

"In the case at bar, the note on its face is negotiable, but it is insisted that the mortgage securing payment of same provides for an attorney's fee in the event of foreclosure and that such provision also shall be construed as included in the note, thereby rendering it non-negotiable. There is a conflict of authority on this question. The great weight seems, however, to be against the contention and supporting the rule that a covenant in a mortgage which is framed purely for the purpose of security and for enforcement of which resort could be had only to the property mortgaged and not a part of any debt by virtue of the note, but on account of the terms of the mortgage, the terms and conditions thereof being limited to providing security for the indebtedness, does not affect the negotiability of the note However, when the provisions of the mortgage by direct stipulation in the note are made a part thereof, the same in that event may be rendered non-negotiable.

"It is further insisted, however, that section 793 of the Code which provides 'Several contracts relating to the same matters, between the same parties, and made as parts of substantially one transaction, are to be taken together,' concludes this question in favor of the defendant in error.

"This section was borrowed by the lawmakers of the territory of Oklahoma from the statutes of Dakota territory. In the case of First National Bank v. Flath, 10 N. D. 231; 86 N. W. 367, this section was construed and held to constitute a rule of interpretation merely and united several contracts into a single contract only for such purposes, and that a real estate mortgage and the notes secured thereby did not constitute a single contract, but remained as separate contracts, except for the purposes of interpretation. We necessarily conclude that the stipulation in the mortgage regarding attorney's fees does not render the note non-negotiable."

This decision has been followed in the later case of *Westlake v. Cooper* (Okla. 1913) 171 Pac. 859, in which it is pointed out that the holder of the note may abandon the mortgage entirely and recover on the note as though it were unsecured, in which event the terms of the mortgage would be immaterial.

It may be said, therefore, that the majority rule is followed in Oklahoma, and that unless a note expressly incorporates and adopts as part of the contract the terms of the mortgage, such terms will not affect the negotiability of the note.

TEXAS

The general rule that one who purchases before maturity for value a negotiable note secured by a mortgage, takes the paper free from equitable interests of third parties of which the holder has no notice is followed in case of *Van Bukelo v. Southwest Manufacturing Company* (Texas) 39 S. W. 1085.

In the case of *Cunningham v. McDonald*, 93 Tex. 316, 83 S. W. 372, it is held that a reservation in a deed of trust securing a note, of the right on the part of payor to make payments thereon at certain times prior to maturity does not destroy the negotiability of the note. While the point is not expressly decided, it is intimated in this case that the terms of a mortgage or deed of trust executed contemporaneously with the note and referred to therein will be examined in passing upon the negotiability of the note and that such terms may affect the negotiability of the accompanying note.

See also; *Rogers v. Broadnax*, 24 Tex. 533;
27 Texas, 238.

Thus, in the case of Robertson v. Parrish (Texas) C. A. 1397) 39 S. W. 646, it is held that the terms of a deed of trust, executed by a purchaser to secure his purchase of money note more than a month after giving the note and receiving the deed, became part of the contract of sale, and that the additional provisions of the deed of trust became part of the obligation.

"This deed of trust provides that the note becomes enforceable by sale or suit if any of the interest remains unpaid for six months after due. This provision thus became ingrafted on the note."

See also: Traders Nat. Bank v. Smith, (Tex. C.A.)
22 S. W. 1056.

Therefore, while no decisions directly in point have been found, it is believed that the courts of that state will construe contemporaneous instruments as one contract. Whether the courts of Texas will go to the extent of holding that the terms of a contemporaneous mortgage will be read into the note in the hands of a bona fide purchaser for value at maturity, who also takes the mortgage as security or who takes the note with knowledge of the existence of the mortgage, I am unable to say.

WISCONSIN

In the case of Thorpe v. Mindeman, 123 Wisc. 149; 63 L.R. A. 146, decided under the Negotiable Instruments Law, the Supreme Court of Wisconsin held that agreements in a mortgage by which the mortgagor is required to pay taxes, exhibit receipts and maintain insurance on the buildings for the mortgagee's benefit, and the mortgagee is given

the privilege of effecting such insurance and having a lien for the amount so paid added to the indebtedness, not being intended to qualify the absolute promise in the mortgage note, does not change the note or affect its negotiability.

The court in this case reaches this conclusion by stating that the provisions for the payment of insurance are merely for the preservation of the security and do not affect the indebtedness itself.

In other words, this court follows the majority rule:

"Construing together simply means that if there be any provisions in one instrument limiting, explaining, or otherwise affecting the provisions of another, they will be given effect as between the parties themselves, and all parties charged with notice, so that the intent of the parties may be carried out, and that the whole agreement actually made may be effectuated The promise to pay is one distinct agreement and, if couched in proper terms, is negotiable. The pledge to secure that promise is another distinct agreement which ordinarily is not intended to affect in the least the promise to pay, but only to give a remedy for failure to carry out the promise to pay. The holder of the note may discard the mortgage entirely and sue and recover on his note; and the fact that the mortgage has been given with the note, containing all manner of agreements relating simply to the preservation of the security would cut no figure."

CONCLUSION:

It may be seen from the foregoing that the courts of the various states are in hopeless conflict on the question involved.

No attempt has been made to review the decisions of other states not mentioned, it being my opinion that on account of the wide variance in the decisions and processes of reasoning

by which the conclusions are reached, that it is necessary to examine the latest decision in the state in question in order to arrive at a safe conclusion as to the effect in such jurisdiction which mortgage security has upon the negotiability of the accompanying note.

(Signed) Albert C. Agnew,
Attorney.

FEDERAL RESERVE BOARD

STATEMENT FOR THE PRESS

For release in Morning Papers,
Wednesday, February 8, 1922.

The following is a digest of the Review of the Month as contained in the forthcoming issue of the Federal Reserve Bulletin.

In the Review of the Month contained in the Federal Reserve Bulletin for February a general discussion of the European economic and financial situation is afforded with special reference to the problems which are likely to be presented at the Genoa Conference. The Review calls attention to the fact that the Genoa Conference is the outcome of the increasingly serious economic conditions abroad, and after sketching the "agenda" which have been proposed for Genoa quotes the explanation offered by Premier Lloyd-George with reference to the reasons for the inclusion of Russia and Germany in the conference. Russian and German problems are treated as being practically inevitable elements in the existing economic situation.

The Review remarks:

The inclusion of Russia has already been the subject of discussion because of the view that her participation in the conference at which Russia was represented would imply a recognition of the present Russian Government or an assent to its policy by other participating Governments. Premier Poincare, of France, in succeeding M. Briand, has apparently held to the view that France could not well be represented at the conference without a previous undertaking on the part of Russia to allow full faith and credit to her prewar debts. On all these points the issues at stake

are "political" in the broad sense of that term rather than economic. But the position of those who regard the conference as likely to be successful in the economic sense, only as issues affecting the rehabilitation of Russia, Germany, Austria, and Southeastern Europe generally, can be disposed of, is that the plan which may be adopted is not very likely to succeed on account of the natural limitations to which it would be subject. Somewhat the same position is taken as regards the suggestion that no reference be made at the Genoa conference to the question of German reparations. Within the past month or more it has been contended more positively than ever before that the reparations problem is an almost inevitable element in any discussion which aims to develop a general solution for European questions at large."

The Review then turns to the reparations situation and calls attention to the unsatisfactory position in which the reparations question has been left. The Review then considers the question whether the best way of settling with France during the next few years may not be an extension of the plan provided in the Wiesbaden agreement. As to this it remarks:

"It seems to be more and more admitted that the best way of paying France in the next few years will be by an extension of the method provided in the Wiesbaden agreement, although the use of German labor in the devastated regions, which was contemplated in that agreement, may not prove to be practicable. Payments in kind will not, however, ultimately solve the French situation, because of the large French public debt."

Speaking then of the changes which have occurred since the Brussels conference the Review calls attention to the fact that at the time of the Brussels conference business depression had not begun to develop to any considerable extent. It then says:

"Since that time, however, the demoralizing effect of the conditions in eastern Europe has reacted very directly upon trade elsewhere, with the result that recently there have been several proposals looking to the rehabilitation of the purchasing power or buying capacity of Russia, Poland, Austria, etc. The proposal which appears to have been officially accepted by the Supreme Economic Council at Cannes provides for the incorporation of an international organization based upon private capital, the participants to include representatives of Great Britain, France, Italy, Belgium, United States, Germany, and possibly others if they so desire. The declared purpose of this organization is the rebuilding of railroads and other means of communication in Russia, and the plan contemplates the creation not only of a central international corporation with headquarters in London but of affiliated corporations in the participating countries as well. Contributions to the capitalization of the corporation are to be made in the currencies of the several contributing countries, but control is to be exercised by the central organization."

The recent developments in connection with the Ter Meulen scheme are outlined and a contrast is drawn between that plan and the recommendations laid before Parliament by Mr. Lloyd-George after the close of the Cannes conference. The Review then comments upon the savings to result from naval limitation, as follows:

"The savings which will result from the limitation in armaments decided upon at the Washington conference will, unfortunately, affect immediately only the three countries whose finances are already in a relatively sound condition. It is estimated that the reduction decided upon for the United States will save about \$200,000,000 on the present building program. The saving in England and Japan will reach an amount

approximately equivalent. In France and Italy, however, no increase in 1919 naval armaments had been contemplated in the near future, and the savings brought about at Washington will not affect their immediate problems.

"It is particularly important in the present situation not only that governmental budgets should be balanced, so that short-time borrowing by the Government may be discontinued but also that the sum of Government expenditures should be decreased in order to reduce the tax burden of the business community. In most countries, however, curtailment of taxes seems highly problematical at present. Only in the United States has it been attempted.

"Any savings which result in England next year from a decrease in expenditures will probably have to be applied to debt reduction. The situation is much the same in France.

"In Italy the difficulty of increasing Government revenue to meet expenditures is almost as great. In Germany the balancing of the budget is complicated by the fluctuating value of the mark, and large increases in taxes are planned for the coming year."

Turning to the actual question of work at Genoa, the Review states that a fundamental issue to be dealt with there will undoubtedly be the restoration of the gold standard or some plan for the stabilization of foreign exchange. Discussing the latter question, the Review says:

"From the preliminary announcements of unofficial character, as well as from the "agenda", it is clear that discussion at Genoa is likely to relate in no small measure to the restoration of the gold standard, or, in lieu thereof, to the development of some plan for the stabilization of foreign exchange. Much difference of opinion exists concerning the specific means to be employed and the incidental difficulties likely to be encountered in bringing about a return to the gold standard in Europe. But there is

a gratifying unanimity of opinion among leading economists, financiers, and statesmen to the effect that any permanent rehabilitation of credit and currency systems will necessitate a return to a gold basis of some sort. It is quite obvious, however, that prior to any attempt to reinstate the gold standard, many complex problems will have to be solved. These are problems connected with reparations payments, with domestic and foreign indebtedness, with the effect of national policies upon the amount and direction of current expenditures. The issues involved necessitate far-reaching international adjustments that are likely to be the subject of prolonged negotiations. Extraterritorial interference with power to raise money or to spend it is rightly regarded as an interference with the sovereignty of a State, and can only be justified in extreme cases. On the other hand, a simple ultimatum to insolvent nations to the effect that obligations must be met and budgets must be balanced, will not bring about a solution of international difficulties. The capacity of the several nations to defray recurrent expenditures out of regular sources of income must be carefully appraised, and expenditures in excess of ability to pay must be eliminated before budgets can be balanced and inflation consequently stopped. Until some sort of international agreement based upon recognition of this patent fact has made possible the cessation of deficit financing, no program of currency reform involving a return to the gold standard has any chance of success."

Retention of the gold standard as an international basis of values is endorsed by the Review as follows:

"The argument in favor of the restoration of gold as an international standard of value is twofold - first, that no superior or better basis for prices has as yet been developed, and, second, that the use of gold as an

international currency or price basis affords strong protection against pressure to bring about expansion of credit. In international trade the gold standard also constitutes a nexus between the price levels of various countries. It can by no means be said to be an ideal means of payment, but under normal conditions it has been very effective in preventing the price level of any one country from falling too markedly out of line with that of others. When currency and credit systems are erected upon a gold basis, loss of gold following imports tends to check the process of further credit expansion, and the knowledge that gold may be wanted for export is under all circumstances a deterrent to indefinite credit expansion. In short, international purchases and sales tend to offset one another except to the extent that occasional adverse balances can be covered by means of gold shipments. However, if there is no attempt to maintain the gold standard or to link gold in any way with the internal price level, the process of gold denudation can go on to the point of exhaustion. In fact, that is what has virtually happened in a number of countries. Ordinarily the rising interest rates that would accompany an outflow of gold would check such a movement. But if credit expansion by means of paper issues goes ahead unrestricted by the need of redemption, either immediate or prospective, no effect upon interest rates need ensue."

X-3323

Discussion of the inflation now existing in Europe leads to the question whether a so-called gold exchange standard might not be employed and the Review urges that artificial methods of controlling exchange operations are of no permanent value:

"Their inadequacy as a means of correcting fundamental maladjustments of trade balances has been made so obvious by experience and has been a subject of such lengthy comment that it does not require further elucidation. It is, however, conceivable that the stabilization of exchange and the reestablishment of a satisfactory system of internal payments could be accomplished by a rigorous control over credit and currency without return to the gold standard. But it is highly unlikely that such control would be sufficiently rigorous and discriminating to prevent exchange fluctuations from continuing to be of a magnitude sufficient to constitute a serious interference with foreign trade. It may be that the use of the discount rate as a means of price stabilization could with wise manipulation, unhampered by political pressure, be effective in some countries. Changes in discount rates would then act as a means of encouraging the expansion or forcing the contraction of credit-created currency without either an inflow or outflow of gold. But such a scheme presupposes a centralized control over money markets that was by no means assured even in prewar times, and it also presupposes a sensitive response to variations in the interest rate that implies the existence of highly organized international markets which no longer exist."

X-3323

The statement is plainly made that the great accumulation of gold in the United States at the present time is gravely dangerous, the Review stating the case as follows:

"It is evident from all that has been said that the United States has an interest in the introduction of some form of gold standard as a means to the resumption of trade relationships through the effective stabilization of exchange. At present, furthermore, the abnormal concentration of gold in this country is a source of danger, because it is a false guide in matters of credit policy - no longer an index of the outside limit of legitimate credit expansion. Considerations of national interest alone are, therefore, a sufficient reason for a careful weighing of proposals looking to a redistribution of the gold supplies of the world and involving a return of some part of the gold held by the United States for use elsewhere. No proposals of any sort should, however, be entertained until far-reaching guaranties of fiscal reform have been secured from the countries that require aid. Otherwise the assistance would be detrimental to the extent that it would lead to the postponement of the necessary fiscal reforms which must be made preliminary to the rehabilitation of currency systems and the reestablishment of stabilized exchange relationships."

The Review closes with a sketch of the present international balance situation in which it is shown that:

"In November, 1921, a detailed estimate of the net unfunded balance due to the United States from abroad was presented. Exclusive of the war-time debts of foreign Governments to the United States Govern-

ment, which amount to \$10,000,000,000, roughly speaking, it was estimated that on October 1, 1921, there was owing to private creditors in the United States a net unfunded balance of \$3,408,000,000.

During October, November, and December exports of merchandise exceeded imports by a little less than \$300,000,000; and for the same period net imports of gold and silver were but slightly short of \$125,000,000, leaving a net addition to our unfunded balance from "visible" sources of \$175,000,000. When, however, the remaining or "invisible" items in the balance are taken into consideration and summed up, it is likely that they constituted a net debit for the three months of between \$175,000,000 and \$200,000,000. The result is that the visible items during these three months have been fully offset or possibly a little more than offset by the invisible elements in the balance, leaving the former estimate substantially unchanged and if anything slightly reduced at the close of 1921. In view of all the available facts, therefore, it seems fair to take \$3,400,000,000 as the approximate amount of our unfunded international balance on January 1, 1922.

FEDERAL RESERVE BOARD
WASHINGTON

105

February 6, 1922.
X-3324

SUBJECT: Letter from Federal Reserve Bank of Boston
Regarding Insurance on Building

Dear Sir:

There is transmitted herewith, for your information, copy of a letter from the Governor of the Federal Reserve Bank of Boston regarding the insurance on the new building of that Bank.

Yours very truly,

(Enclosure)

G o v e r n o r .

GOVERNORS ALL F.R. BANKS EXCEPT BOSTON

C O P Y

FEDERAL RESERVE BANK
OF BOSTONX-3324a
February 2, 1922.

Mr. W. P. G. Harding, Governor,
Federal Reserve Board,
Washington, D. C.

Dear Governor Harding:

I have just completed our final arrangements with the insurance companies as to the rate of insurance on our new bank building and I thought that the Board might be interested to know what that rate was and what the insurance will cost us per year, especially as the Board of Underwriters state that the rate they have issued on our bank building is the lowest rate they have ever put out.

The basic rate is 9.6 cents per hundred dollars on an 80 per cent co-insurance clause which makes an allowance for the value of the foundations. By taking the insurance policies for five years, we get a five-year insurance at four times the rate for one year. The result is that a five-year policy costs us 38.4 cents per hundred dollars, and on \$2,800,000 comes to \$10,752 premium for the five years of \$2150.40 for one year.

Since the time that the building was started, we have been in communication with the insurance people and told them that we would insure the building if the rate was so low that we could not afford to do anything else, but unless we had a good rate we should prefer to set aside a fund to insure it ourselves. It seems to me that this charge per year for insurance on the building of \$2150.40 on \$2,800,000 is so low that we cannot afford to insure the building in any other way, and as I say, I thought you would be interested to know the results of our efforts in this direction.

Of course, we have followed the regulations required by the insurance companies and have done everything to prevent a fire in the building or at least to localize it, but we considered that their regulations and their experience was so good that we could not afford to do any differently from what they recommended in any event. As a result of their recommendation we have sprinklers in the basement, certain fire partitions and fire doors and all exterior glass is wire glass and metal frame windows, and each window has two or three mullions in it which divide the panes into comparatively small pieces and this together with the wire is expected to prevent any fire getting inside the building in case a neighboring building was burned.

These regulations are applied to factory buildings and there is much experience to show that they are effective.

I would add that we have been insured by the best stock companies in Boston, not the same as if we were insured in mutual companies where we would be subject to additional premium in case of loss in some other plant.

Also, when we finally occupy the building even this rate will be cut slightly because we have watchmen in the building 24 hours of the day, and still another reduction about June or July when the high pressure service in Boston goes into effect.

Very truly yours,

(Signed) Charles A. Morss,
Governor.

FEDERAL RESERVE BOARD
WASHINGTON

X-3326

February 11, 1922.

SUBJECT: Special Reports Leased Wire Operations.

Dear Sir:

For some time, it has been felt that the Main Line leased wire facilities of the Federal Reserve System have been inadequate for a prompt handling of the business carried over them. At the suggestion of the Federal Reserve Board, the Federal Reserve Leased Wire Committee, in conjunction with the American Telephone and Telegraph Company, has undertaken a comprehensive study of the operations of the leased wire system for the purpose of determining what additional facilities are needed and what changes, if any, should be made in the present arrangement of the wires in order to provide the most satisfactory and economical service.

The Committee advises that it will be necessary for it to obtain the following information from each Federal Reserve Bank and from the Federal Reserve Board: (1) The volume and class of business transmitted daily to each other point on the main line system; (2) The volume of each class of business dispatched hourly.

Two forms have been provided by the Committee on which each Federal Reserve Bank is requested to submit the information desired at this time. The forms are self-explanatory and should be forwarded to reach the Board as promptly as possible after the end of the period covered.

Very truly yours,

G o v e r n o r .

Enclosures.

TO THE GOVERNOR OF EACH FEDERAL RESERVE BANK.

ORIGINAL

FEDERAL RESERVE BANK OF

139

DUPLICATE

NUMBER OF EACH CLASS OF MESSAGES
DESPATCHED EACH HOUR OVER
CIRCUIT NO.

X-3326-a

TRIPPLICATE

Date

TIME	CLASS A	CLASS B	CLASS C	TOTAL
8-9 A. M.				
9-10				
10-11				
11-12				
12-1 P. M.				
1-2				
2-3				
3-4				
4-5				
After 5 P. M.				

NUMBER OF MESSAGES ON HAND UNSENT AT STATED HOURS

TIME	CLASS A	CLASS B	CLASS C	TOTAL
8 A. M.				
9				
10				
11				
12				
1 P. M.				
2				
3				
4				
5				

Note:- This form of report should be kept daily during the period Feb. 20 to Mar. 21 (both dates inclusive). At the end of the period, all daily reports should be promptly forwarded in triplicate to the Federal Reserve Board.

FEDERAL RESERVE BOARD
GOLD SETTLEMENT FUND

X-3327
Washington, D. C.
February 10, 1922.

Summary of transactions for period ending February 9, 1922.

(CONFIDENTIAL)

Federal Reserve Bank of	Balance last statement Feb. 2, 1922.	Gold Withdrawals	Gold Deposits	Aggregate withdrawals and transfers to Agent's fund	Aggregate deposits and transfers from Agent's fund	TRANSFERS	
						Debits	Credits
Boston	\$ 45,728,079.54	\$ 827,750.00	\$ 1,274.29	\$ 827,750.00	\$ 1,274.29	\$ 13,000,000.00	\$ -
New York	69,131,540.85	2,914,029.87	4,374,000.00	2,914,029.87	4,374,000.00	1,000,000.00	-
Philadelphia	56,342,904.14	1,212,838.59	8,002,500.00	1,212,838.59	8,002,500.00	-	10,000,000.00
Cleveland	47,651,134.84	2,373,164.46	4,000,000.00	2,373,164.46	4,000,000.00	-	-
Richmond	26,744,034.90	1,212,617.29	6,000,600.00	1,212,617.29	6,000,600.00	-	2,000,000.00
Atlanta	20,676,477.85	957,600.00	3,009,100.00	957,600.00	3,009,100.00	-	-
Chicago	82,665,006.85	1,368,890.00	2,001,000.00	1,368,890.00	2,001,000.00	-	-
St. Louis	28,798,075.26	731,050.00	7,006,400.00	731,050.00	7,006,400.00	-	-
Minneapolis	30,800,828.89	604,333.56	2,000,000.00	604,333.56	2,000,000.00	-	-
Kansas City	42,479,931.91	941,334.43	5,001,800.00	941,334.43	5,001,800.00	-	-
Dallas	11,598,922.60	1,259,878.29	3,000,000.00	1,259,878.29	3,000,000.00	-	2,000,000.00
San Francisco	37,104,340.08	1,491,380.00	5,000,400.00	1,491,380.00	6,298,400.00	-	-
Total	\$ 499,721,277.71	\$ 15,894,866.49	\$ 49,397,074.29	\$ 15,894,866.49	\$ 50,695,074.29	\$ 14,000,000.00	\$ 14,000,000.00

Federal Reserve Bank of	Settlements from February 3, 1922 to February 9, 1922 inclusive.				Balance in fund at close of business Feb. 9, 1922.	Summary of changes in ownership of gold by banks through transfers and settlements.	
	Net Debits	Total Debits	Total Credits	Net Credits		Decrease	Increase
Poston	\$ 1,846,005.21	\$ 92,707,101.50	\$ 90,861,096.29	\$ -	\$ 30,055,598.62	\$ 14,846,005.21	\$ -
New York	325,604.34	346,215,492.99	345,889,888.65	-	69,265,906.64	1,325,604.34	-
Philadelphia	13,108,778.69	126,292,300.80	113,183,522.11	-	60,023,786.86	3,108,778.69	-
Cleveland	1,429,538.41	90,635,276.27	89,205,737.86	-	47,848,431.97	1,429,538.41	-
Richmond	-	84,564,059.81	85,855,528.02	1,291,468.21	34,823,485.82	-	3,291,468.21
Atlanta	-	35,923,966.25	39,780,004.88	3,856,038.63	26,584,016.48	-	3,856,038.63
Chicago	-	165,957,577.34	176,517,548.55	10,559,971.21	93,857,088.06	-	10,559,971.21
St. Louis	-	83,541,386.11	83,697,282.02	155,895.91	35,229,321.17	-	155,895.91
Minneapolis	-	21,883,878.09	24,665,409.76	2,781,531.67	34,978,027.00	-	2,781,531.67
Kansas City	3,786,135.05	71,116,416.64	67,330,281.59	-	42,754,262.43	3,786,135.05	-
Dallas	-	37,538,798.64	39,003,383.16	1,464,584.52	16,803,628.83	-	3,464,584.52
San Francisco	-	44,447,358.95	44,833,930.50	386,571.55	42,297,931.63	-	386,571.55
Total	\$ 20,496,061.70	\$ 1,200,823,613.39	\$ 1,200,823,613.39	\$ 20,496,061.70	\$ 534,521,485.51	\$ 24,496,061.70	\$ 24,496,061.70

FEDERAL RESERVE AGENTS' FUND

X-3327 a
Washington, D. C.
February 10, 1922.

Summary of transactions for period ending February 9, 1922.

(CONFIDENTIAL)

Federal Reserve Agent at	Balance last statement Feb. 2, 1922.	Gold Withdrawals	Gold Deposits	Withdrawals for transfers to bank	Deposits through transfers from bank	Total Withdrawals	Total Deposits	Balance at close of business Feb. 9, 1922.
Boston	\$ 120,000,000	\$ 10,000,000	\$ -	\$ -	\$ -	\$ 10,000,000	\$ -	\$ 110,000,000
New York	381,000,000	-	-	-	-	-	-	381,000,000
Philadelphia	125,389,260	-	-	-	-	-	-	125,389,260
Cleveland	160,000,000	-	-	-	-	-	-	160,000,000
Richmond	28,295,000	3,000,000	-	-	-	3,000,000	-	25,295,000
Atlanta	46,500,000	3,000,000	2,000,000	-	-	3,000,000	2,000,000	45,500,000
Chicago	296,644,500	8,000,000	20,000,000	-	-	8,000,000	20,000,000	308,644,500
St. Louis	62,700,000	2,000,000	1,600,000	-	-	2,000,000	1,600,000	62,300,000
Minneapolis	9,200,000	-	-	-	-	-	-	9,200,000
Kansas City	30,360,000	2,000,000	2,000,000	-	-	2,000,000	2,000,000	30,360,000
Dallas	1,484,000	-	-	-	-	-	-	1,484,000
San Francisco	212,163,000	7,000,000	-	1,298,000	-	8,298,000	-	203,870,000
Total	\$ 1,473,740,760	\$ 35,000,000	\$ 25,600,000	\$ 1,298,000	\$ -	\$ 36,298,000	\$ 25,600,000	\$ 1,463,042,760

FEDERAL RESERVE BOARD
WASHINGTON

192

X-3328
February 14, 1922.

SUBJECT: Member Bank Supervision.

Dear Sir:

There is transmitted herewith, for your information, copy of letter addressed to one of the Federal Reserve Banks in response to a request that the Federal Reserve Board outline and define the powers and duties of the Federal Reserve Banks regarding the matter of member bank supervision.

Very truly yours,

G o v e r n o r .

Enclosure.

TO CHAIRMEN OF ALL FEDERAL RESERVE BANKS.

February 14, 1922.

X-3328a

Dear Sir:

Receipt is acknowledged of your letter, in which you request the Federal Reserve Board to outline and define the powers and duties of the Federal Reserve Banks regarding the matter of member bank supervision.

So far as the law is concerned, it is sufficient to refer to the provision in Section 21 of the Federal Reserve Act that "In addition to the examinations made and conducted by the Comptroller of the Currency, every Federal Reserve Bank may, with the approval of the Federal Reserve Agent or the Federal Reserve Board, provide for special examination of member banks within its district". This provision gives to each Federal Reserve Bank the legal right, subject to approval by the Federal Reserve Agent or the Federal Reserve Board, to examine any of its member banks, including national banks and State member banks.

It is difficult to lay down any hard and fast rule of policy for Federal Reserve Banks to follow in exercising their power to examine member banks. The Board is of the opinion that unnecessary duplication of examinations should be avoided, and that independent examinations need not be made by Federal Reserve Banks unless for some reason the reports of examinations made by examiners of the Comptroller of the Currency and of the State Banking Departments fail to give the Federal Reserve Bank the information which it feels it should have. The Board believes that the practice of having Federal Reserve Bank examiners participate in examinations conducted by the State Banking Departments is a very desirable one and it might be possible for the Reserve Bank Examiners to participate also in national bank examinations on some basis satisfactory to all concerned. There may, of course, be special circumstances which make it desirable for a Federal Reserve Bank to undertake an independent examination of a member bank and whenever such an occasion arises the Federal Reserve Bank should not hesitate to exercise this discretionary power which it has, subject to the approval of the Federal Reserve Agent or the Federal Reserve Board.

Generally speaking, it is true that the authority to take corrective measures rests with the Comptroller of the Currency with respect to national banks, and with the State banking authorities with respect to State member banks. You are aware, however, that under the authority of Section 19 of the Federal Reserve Act the Board has prescribed penalties for failure on the part of member banks

to maintain the required reserve balances; and the Board also has authority to require a State member bank to withdraw from the Federal Reserve System upon proof that it has failed to comply with the law or the regulations of the Federal Reserve Board. Furthermore, Section 2 of the Federal Reserve Act provides for the forfeiture of the rights, privileges and franchises of any national bank whose failure to comply with the Federal Reserve Act has been determined and adjudged by a United States Court of competent jurisdiction in a suit brought for that purpose "under the direction of the Federal Reserve Board, by the Comptroller of the Currency in his own name."

The Federal Reserve Board takes the view that cases of noncompliance with Federal law and cases of objectionable practices on the part of member banks should first be brought to the attention of the particular member banks with courteous requests for remedial action. If this fails to bring satisfactory results, the matter should be reported to the State banking authorities in the case of State member banks and to the office of the Comptroller of the Currency in the case of national banks, and whenever such reports are made to either of these authorities, the Federal Reserve Board should be so advised.

Very truly yours,

(Signed) W. P. G. HARDING

G o v e r n o r .

FEDERAL RESERVE BOARD

195

WASHINGTON

X-3329

February 15, 1922.

SUBJECT: Bill to enlarge powers of Farm Loan Banks

Dear Sir:

There is enclosed herewith, for your information, copy of a letter addressed by the Board, on January 26, 1922, to the Chairman of the Committee on Banking and Currency of the United States Senate, endorsing S. 3051 which proposes to enlarge the powers of the Farm Loan Banks. This bill, which was introduced by Senator Lenroot, is the same as H. R. 10058, introduced in the House of Representatives by Mr. Anderson, and embodies the recommendations of the Joint Commission of Agricultural Inquiry.

Very truly yours,

G o v e r n o r .

CHAIRMEN AND GOVERNORS OF ALL F.R.BANKS.

C O P Y

FEDERAL RESERVE BOARD
Washington

January 26, 1922.
X-3329a

My dear Mr. Chairman:

Receipt is acknowledged of your letter of January 23, 1922, enclosing a copy of Senate Bill 3051 and requesting the views of the Federal Reserve Board with regard to it. This is the bill, the enactment of which is recommended in the recently published report of the Joint Commission of Agricultural Inquiry. The same bill has also been introduced in the House of Representatives as H. R. 10058.

While the proposed bill deals mainly with the Federal Farm Loan System, the administration of which does not, of course, come within the jurisdiction of the Federal Reserve Board, the Board is glad of the opportunity to say that the bill has its cordial approval and support. The Board believes the bill to be sound and constructive legislation that is well designed to afford much needed relief to agricultural and live stock interests by adding to their available credit facilities, which at the present time are not adequate for their requirements.

The bill proposes to add to the Federal Farm Loan Act a new title, Title 11, consisting of Sections 201 to 209. Subdivision (a) of Section 201 provides that each Federal land bank, subject to regulation by the Federal Farm Loan Board, may discount for any bank or live stock loan company, with the endorsement of such bank or company, any note or other such obligation the proceeds of which have been used for an agricultural purpose or for the raising, breeding, fattening or marketing of live stock, and may make loans to any cooperative association of producers of staple agricultural products upon the security of warehouse receipts covering such products. Subdivision (b) of Section 201 provides for the issuance by Federal land banks of debentures or other such obligations with maturities not in excess of three years secured by discounts or loans made under subdivision (a). Section 204 provides that any Federal reserve bank may discount for a Federal land bank, upon the latter's endorsement, discounts or loans made under Section 201 which have a maturity at the time of discount by the Federal reserve bank not in excess of six months, and Section 206 provides that any Federal reserve bank may

buy and sell the debentures and other obligations of a Federal land bank issued under Section 201 to the same extent and subject to the same limitations as those upon which they may buy and sell Federal farm loan bonds. The other sections of the new title provide for the creation of a "farm credits department" in each Federal land bank for the purpose of exercising the powers conferred by the title, and provide that the capital of each such department shall be \$1,000,000, to be subscribed by the United States, and contain certain other necessary administrative provisions which are not important for the purposes of this general discussion.

At the present time the Federal Farm Loan Act provides the means for supplying the farmers long time credits upon the security of first mortgages upon agricultural lands; and under the terms of the Federal Reserve Act agricultural paper with a maturity not in excess of six months is eligible for rediscount by Federal reserve banks after it has been discounted and endorsed by a member bank of the Federal Reserve System. As pointed out, however, in the Report of the Joint Commission of Agricultural Inquiry, there is need for agricultural credits of an intermediate type, running from six months to three years, for production and marketing purposes. The farmers' turnover in the production of crops, including the planting, harvesting and gradual marketing through orderly processes designed to avoid flooding the market at any one time, normally requires approximately twelve months; and in the live stock industry the turnover may require as long as three years. Consequently, in order to make it possible for the farmer and live stock man to liquidate, out of the ultimate proceeds of his agricultural transactions, his indebtedness incurred for production and marketing purposes, it is necessary that such indebtedness be permitted to run for periods ranging from six months to three years, depending upon the particular commodities being produced and marketed.

Loans with such maturities cannot be granted, in sufficient amounts to meet the needs of agriculture, by ordinary banking institutions the liabilities of which are for the most part payable on demand, unless the banks can rely on being able to rediscount the loans in emergencies. The main purpose of the bill under consideration, as the Federal Reserve Board understands it, is to provide proper and adequate facilities for such rediscounts.

Bills have been introduced in Congress within the past year proposing to amend the Federal Reserve Act so as to make eligible for discount by Federal reserve banks agricultural paper with maturities up to twelve months, instead of six months as the law

now provides. The Board has expressed its disapproval of these and similar bills, because the enactment of any such bill would materially lessen both the liquidity of the paper held by the Federal reserve banks and the elasticity of the Federal reserve note currency which is based upon and secured by the paper so held. The bill recommended by the Joint Commission of Agricultural Inquiry avoids this danger, and at the same time offers far more adequate relief to the agricultural interests of the country than could be obtained through the enactment of such an amendment to the Federal Reserve Act.

The Federal Reserve Board has carefully examined the bill introduced in the Senate as S. 3051, and in the House of Representatives as H. R. 10058, and approves not only the purpose and substance of the bill, but also the form and language that have been adopted in drafting it. The Board is of the opinion that the bill is admirably designed to accomplish the purposes which its framers have in mind and that its various provisions are so coordinated as to provide the most efficient machinery for the performance of the new functions of the Federal land banks without in any way interfering with their present activities.

Very truly yours,

(Signed) W. P. G. HARDING

G o v e r n o r .

Hon. George P. McLean, Chairman,
Committee on Banking and Currency,
United States Senate.

TREASURY DEPARTMENT
WASHINGTON

X-3330

109

February 9, 1922.

The Governor
Federal Reserve Board.

Sir:

You are advised that the Department has referred to the Comptroller General of the United States, Treasury Department Division, for settlement the account of the Bureau of Engraving and Printing for preparing Federal Reserve notes during the period January 1 to January 31, 1922, amounting to \$235,951.22, as follows:

Federal Reserve Notes, 1914

	<u>\$5</u>	<u>\$10</u>	<u>\$20</u>	<u>\$50</u>	<u>\$100</u>	<u>Total</u>
Boston	18,000	1,000	80,000	---	---	99,000
New York.....	1,059,000	971,000	160,000	---	13,000	2,203,000
Philadelphia...	321,000	57,000	20,000	5,000	---	403,000
Cleveland.....	127,000	106,000	100,000	---	---	333,000
Richmond.....	257,000	53,000	14,000	1,000	2,000	327,000
Atlanta.....	134,000	55,000	10,000	---	---	199,000
Chicago.....	308,000	229,000	124,000	6,000	---	667,000
St. Louis.....	15,000	1,000	31,000	---	---	47,000
Minneapolis....	43,000	7,000	3,000	---	---	53,000
Kansas City....	75,000	8,000	34,000	---	---	117,000
Dallas.....	1,000	---	1,000	---	---	2,000
San Francisco..	85,000	135,000	78,000	5,000	6,000	309,000
	<u>2,443,000</u>	<u>1,623,000</u>	<u>655,000</u>	<u>17,000</u>	<u>21,000</u>	<u>4,759,000</u>

4,759,000 sheets at \$49.58 per M \$235,951.22

The charges against the several Federal Reserve Banks are as follows:

	<u>Sheets</u>	<u>Compen- sation</u>	<u>Plate Printing</u>	<u>Materials</u>	<u>Increased Compensation</u>	<u>Total</u>
Boston	99,000	\$ 1,648.35	\$ 1,581.03	\$1,208.79	\$470.25	\$4,908.42
New York	2,203,000	36,679.95	35,181.91	26,898.63	10,464.25	109,224.74
Philadelphia ..	403,000	6,709.95	6,435.91	4,920.63	1,914.25	19,980.74
Cleveland	333,000	5,544.45	5,318.01	4,065.93	1,581.75	16,510.14
Richmond	327,000	5,444.55	5,222.19	3,992.67	1,553.25	16,212.66
Atlanta	199,000	3,313.35	3,178.03	2,429.79	945.25	9,866.42
Chicago	667,000	11,105.55	10,651.99	8,144.07	3,168.25	33,069.86
St. Louis	47,000	782.55	750.59	573.87	223.25	2,330.26
Minneapolis ...	53,000	882.45	846.41	647.13	251.75	2,627.74
Kansas City ...	117,000	1,948.05	1,868.49	1,428.57	555.75	5,800.86
Dallas	2,000	33.30	31.94	24.42	9.50	99.16
San Francisco..	309,000	5,144.85	4,934.73	3,772.89	1,467.75	15,320.22
	<u>4,759,000</u>	<u>79,237.35</u>	<u>76,001.23</u>	<u>58,107.39</u>	<u>22,605.25</u>	<u>235,951.22</u>

The Bureau appropriations will be reimbursed in the above amount from the indefinite appropriation "Preparation and Issue of Federal Reserve Notes, Reimbursable", and it is requested that your Board cause such indefinite appropriation to be reimbursed in like amount.

By direction of the Secretary:

Respectfully,
S. P. Gilbert, Jr.
Under Secretary,

X-1530a

TREASURY DEPARTMENT
WASHINGTON

February 9, 1922.

The Governor
Federal Reserve Board.

Sir:

You are advised that the Department has referred to the Comptroller General of the United States, Treasury Department Division, for settlement the account of the Bureau of Engraving and Printing for preparing Federal Reserve notes during the period January 1 to January 31, 1922, amounting to \$84.29, as follows:

Federal Reserve Notes, 1918

	<u>\$500</u>	<u>\$1000</u>	<u>\$5000</u>	<u>Total</u>
New York	1,000	- -	- -	1,000
Cleveland	- -	100	- -	100
Richmond	- -	200	- -	200
San Francisco	- -	<u>200</u>	<u>200</u>	<u>400</u>
	<u>1,600</u>	<u>500</u>	<u>200</u>	<u>1,700</u>

1,700 sheets at \$49.58 per M \$84.29

The charges against the several Federal Reserve Banks are as follows:

	<u>Sheets</u>	<u>Compen- sation</u>	<u>Plate Printing</u>	<u>Materials</u>	<u>Increased Compensation</u>	<u>Total</u>
New York	1,000	\$ 16.65	\$ 15.97	\$ 12.21	\$ 4.75	\$ 49.58
Cleveland	100	1.67	1.60	1.22	.47	4.96
Richmond	200	3.33	3.20	2.44	.95	9.92
San Francisco	<u>400</u>	<u>6.66</u>	<u>6.39</u>	<u>4.88</u>	<u>1.90</u>	<u>19.83</u>
	1,700	28.31	27.16	20.75	8.07	84.29

The Bureau appropriations will be reimbursed in the above amount from the indefinite appropriation "Preparation and Issue of Federal Reserve Notes, Reimbursable", and it is requested that your Board cause such indefinite appropriation to be reimbursed in like amount.

By direction of the Secretary:

Respectfully,

S. P. Gilbert, Jr.,
Under Secretary.

FEDERAL RESERVE BOARD
GOLD SETTLEMENT FUND

X-3331
Washington, D.C.
February 17, 1922.

Summary of transactions for period ending February 16, 1922.

(CONFIDENTIAL)

Federal Reserve Bank of	Balance last statement Feb. 9, 1922.	Gold Withdrawals	Gold Deposits	Aggregate withdrawals and transfers to Agent's fund	Aggregate deposits and transfers from Agent's fund	TRANSFERS	
						Debits	Credits
Boston	\$ 30,055,598.62	\$ 678,600.00	\$ -	\$ 678,600.00	\$ 10,000,000.00	\$ 18,000,000.00	\$ -
New York	69,265,906.64	2,727,350.00	7,001,400.00	2,727,350.00	7,001,400.00	-	55,000,000.00
Philadelphia	60,023,786.86	1,065,801.18	4,100.00	6,065,801.18	4,100.00	11,000,000.00	-
Cleveland	47,848,431.97	1,736,710.15	-	1,736,710.15	-	7,000,000.00	-
Richmond	34,823,485.82	1,166,150.00	2,011,400.00	1,166,150.00	2,011,400.00	6,000,000.00	-
Atlanta	26,584,016.43	982,665.00	3,086,000.00	11,982,665.00	3,086,000.00	-	-
Chicago	93,857,088.06	1,047,673.65	2,001,200.00	1,047,673.65	2,001,200.00	2,000,000.00	-
St. Louis	35,229,321.17	2,203,550.00	5,000,600.00	5,208,550.00	5,000,600.00	4,000,000.00	-
Minneapolis	34,978,027.00	388,534.80	1,003,700.00	388,534.80	1,003,700.00	-	-
Kansas City	42,754,262.43	745,394.92	6,001,800.00	745,394.92	6,001,800.00	2,000,000.00	-
Dallas	16,803,628.83	871,150.00	1,001,000.00	871,150.00	1,001,000.00	-	-
San Francisco	42,297,931.63	1,348,277.43	7,001,538.41	1,348,277.43	9,046,538.41	5,000,000.00	-
Total	\$ 534,521,485.51	\$ 14,966,857.13	\$ 34,112,738.41	\$ 33,966,857.13	\$ 46,157,738.41	\$ 55,000,000.00	\$ 55,000,000.00

Federal Reserve Bank of	Settlements from February 10, 1922 to February 16, 1922 inclusive,				Balance in fund at close of business Feb. 16, 1922.	Summary of changes in ownership of gold by banks through transfers and settlements.	
	Net Debits	Total Debits	Total Credits	Net Credits		Decrease	Increase
New York	25,910,695.85	338,027,629.19	312,116,933.34	-	102,629,260.79	-	29,039,304.15
Philadelphia	-	105,273,397.25	110,386,648.01	5,113,250.76	48,075,336.44	5,886,749.24	-
Cleveland	-	83,271,140.71	95,276,644.78	11,955,504.07	51,007,225.89	-	4,955,504.07
Richmond	-	98,610,309.09	100,023,456.02	1,413,146.93	31,031,882.75	4,586,853.07	-
Atlanta	-	33,145,228.26	44,989,097.34	11,843,869.08	29,531,220.56	-	11,843,869.08
Chicago	-	149,125,433.90	161,456,679.87	12,331,245.97	105,141,860.38	-	10,331,245.97
St. Louis	10,046,456.91	90,250,117.33	80,203,660.42	-	20,974,914.26	14,046,456.91	-
Minneapolis	4,673,685.90	22,140,432.15	17,466,745.25	-	30,919,506.30	4,673,685.90	-
Kansas City	4,937,464.13	70,435,094.58	65,497,630.45	-	41,073,203.38	6,937,464.13	-
Dallas	-	33,284,374.56	33,781,276.47	496,901.91	17,430,380.74	-	496,901.91
San Francisco	3,730,722.37	42,591,047.44	38,860,325.07	-	41,265,470.24	3,730,722.37	-
Total	\$ 49,299,025.16	\$ 1,162,693,485.92	\$ 1,162,693,485.92	\$ 49,299,025.16	\$ 546,712,366.79	\$ 56,716,825.18	\$ 56,716,825.18

FEDERAL RESERVE AGENTS' FUND

X-3331a
Washington, D.C.
February 17, 1922.

Summary of transactions for period ending February 16, 1922.

(CONFIDENTIAL)

Federal Reserve Agent at	Balance last statement Feb. 9, 1922.	Gold Withdrawals	Gold Deposits	Withdrawals for transfers to bank	Deposits through transfers from bank	Total Withdrawals	Total Deposits	Balance at close of business Feb. 16, 1922.
Boston	\$ 110,000,000	\$ -	\$ -	\$ 10,000,000	\$ -	\$ 10,000,000	\$ -	\$ 100,000,000
New York	381,000,000	-	-	-	-	-	-	381,000,000
Philadelphia	125,339,260	5,000,000	-	-	5,000,000	5,000,000	5,000,000	125,389,260
Cleveland	160,000,000	-	-	-	-	-	-	160,000,000
Richmond	25,295,000	-	-	-	-	-	-	25,295,000
Atlanta	45,500,000	-	2,000,000	-	11,000,000	-	13,000,000	58,500,000
Chicago	308,644,500	8,000,000	10,000,000	-	-	8,000,000	10,000,000	310,644,500
St. Louis	62,300,000	2,000,000	2,000,000	-	3,000,000	2,000,000	5,000,000	65,300,000
Minneapolis	9,200,000	1,000,000	-	-	-	1,000,000	-	8,200,000
Kansas City	30,360,000	2,000,000	-	-	-	2,000,000	-	28,360,000
Dallas	1,484,000	-	-	-	-	-	-	1,484,000
San Francisco	203,870,000	-	-	2,045,000	-	2,045,000	-	201,825,000
Total	\$1,463,042,760	\$ 18,000,000	\$ 14,000,000	\$ 12,045,000	\$19,000,000	\$ 30,045,000	\$ 33,000,000	\$1,465,997,760

REPORT OF JOINT COMMISSION OF AGRICULTURAL INQUIRY.

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* * *

CREDIT.

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REPORT OF
THE JOINT COMMISSION OF AGRICULTURAL INQUIRY.

Introduction.

(Page references are to pages of the report).

Page No.

The Senate concurrent resolution 4 which created the Joint Commission of Agricultural Inquiry, requires the commission to investigate and report to Congress upon six subjects.

This report deals with the fifth subject, namely, the banking and financial resources and credits of the country, especially as affecting agricultural credits.

7

Summary.

The difficulties of the farmer are due in a measure to the credit restrictions and limitations of the past eighteen months, and in part to the fact that the banking machinery of the country is not adequately adapted to the farmer's requirements.

7

The proposed bill to amend the Federal Farm Loan Act and the Federal Reserve Act.

9

Discount rates of Federal Reserve banks should normally be slightly above the market rates on the same class of paper.

11

Until our entrance into the World War, the rates of the Federal Reserve banks were, for the most part, above market rates on prime commercial paper.

11

Since our entrance into the World War, the rate policy of the Federal Reserve banks was subordinated to the requirements of the Treasury, and the Treasury policy of borrowing funds for the war at rates of interest below the market rate, and discount rates thereafter were below the market rates on the character of paper to which they applied.

11

- The cost of the war could not be met out of current taxes, and it was necessary to provide for immediate payments by means of the expansion of manufacture of credit. 11
- This necessitated the use of the lending power of the Federal Reserve banks through loans to member banks at a rate of interest below the rate carried by the bond and certificate of indebtedness issues of the Government. 11
- This policy induced large borrowings on the part of member banks from Federal Reserve banks, and larger expansion of loans and discounts of the member banks. 11
- The greatest expansion of loans and discounts of all banks occurred in the period between November, 1914, and our entrance into the war. 12
- During this period, the loans and discounts of all banks in the country expanded 40 per cent, while prices increased 75 per cent. 12
- During the war period loans and discounts expanded 14 per cent and prices increased 17 per cent. 12.
- In the post-war period loans and discounts expanded 30 per cent, and prices increased 33 per cent. 12
- In the early part of 1919, the question arose of increasing the discount rates of the Federal Reserve banks in the direction of the sounder policy of maintaining these rates above the market rates for commercial paper and above the rates on Government bonds and certificates of indebtedness. 12
- At this time the Government was considering the flotation of the Victory loan which it was then thought would involve \$6,000,000,000. 12

- The Treasury was unwilling to undertake the flotation of this loan at a rate of interest comparable with commercial rates on account of the possible effect upon existing issues of private securities, and its possible effect in requiring the refunding of the issues of Government bonds already floated. 12
- The discount policy of the Federal Reserve banks was again subordinated to the Treasury policy in securing its credit requirements, although at this time the tendency toward expansion, speculation, and extravagance was beginning to be apparent. 12
- This was clearly the time for a policy of advancing the discount rates of the Federal Reserve banks with a view of curtailing the expansion, speculation, and extravagance which was then beginning. 12
- A policy of restriction by advances in the discount rates could and should have been adopted in the early part of 1919, notwithstanding the difficulties which the Treasury anticipated in floating the Victory loan if such a policy were adopted. 12
- Had this policy been adopted in the early part of 1919, much of the expansion, speculation, and extravagance could have been avoided. 12
- Had such a policy been adopted in 1919, the difficulties, hardships, and losses which occurred in 1920 - 1921 as a result of the process of deflation and liquidation would have been diminished. 12
- The Federal Reserve banks and the Federal Reserve Board took no action in the direction of restriction by increases in discount rates until December, 1919, when slight advances were made, followed in January, 1920, by more radical advances and by further increases during the remainder of 1920. 12
- In the meantime there began and continued a period of expansion, extravagance, and speculation, the like of which has never before been seen in this country, or perhaps in the world. 12

When finally the Federal Reserve Board and the Federal Reserve banks adopted the policy of restriction, loans and discounts, currency and prices had reached such a point that deflation was accompanied by perpendicular and very material declines of prices accompanied with great losses and hardships. 13

The reserves of individual Federal Reserve banks, and of the system as a whole, began to dwindle rapidly. In some of the reserve banks, the reserves fell as low as 9 per cent, and at one time it is said that the reserves of one of the banks were entirely exhausted. 13

The tremendous drain upon the credit resources of the country brought about the over extension of many of the banks, and with some to the point where they were utterly unable to loan additional funds to their customers without danger of insolvency. 13

From 1915 to 1920, the ratio of loans and discounts of national banks to capital and surplus had increased from 3.8 to 1 to 5.5 to 1. 13

In many cases, further expansion could not be made without endangering the interests of depositors and stockholders. The policy of the Federal Reserve banks, therefore, during this period, underwent a change. Discount rates were raised, particularly upon certificates of indebtedness and Government bonds, resulting in the liquidation of this class of paper by the member banks, and the freeing of the funds invested in them for other purposes. 13

With the exhaustion of the credits of European Governments in this country, the purchasing power of Europe in our markets began to fail. This resulted in a sharp decline in exports, particularly of farm products. 13

This exhaustion of credit, coupled with the decline in exports, gave impetus to the decline in prices. 13

With the beginning of this decline, the forces of reaction and depression began to operate. Goods were thrown on the market, orders were cancelled, the buyer's strike developed, unemployment ensued, and complete industrial depression followed. 13

Goods began to congest the channels of commerce, and more and more credit was required to carry these goods until they could be marketed. 13

It was necessary, by a high level of discount rates, to keep these credit requirements in such a relation to prices that bank failures would not result and a financial crash increase the inevitable industrial depression resulting from declining prices. 13

The commission believes that the policy of lower discount rates and greater liberality in extending credits could have been adopted in the latter part of 1920 and in the early months of 1921, and that such a policy would have retarded the process of liquidation and thus spread the losses incident to the inevitable decline of prices to a lower level over a longer period, and that the adoption of such a policy at that time would have been advisable. 13

About one-third of the banks at this period were greatly over-extended. 14

It was the position of the Federal Reserve Board that a policy of cheap money at this time, coupled with an invitation to them to further extend themselves, and the ratio of loans and discounts to capital, might have resulted in bank failures. 14

The Federal Reserve Board and Federal Reserve banks took the position that they were confronted with a choice between continuing the high discount rates and the consequent pressure upon commercial and agricultural industries on the one hand, and a policy of lower discount rates involving a possible financial crisis in the midst of an industrial crisis on the other. 14

The Federal Reserve banks, with the approval of the Federal Reserve Board, took the first choice, and discount rates were continued upon practically the same level as before.

14

It seems probable that a change in the policy of the Federal Reserve system with reference to discount rates would have accomplished a reversal in part of the psychological and economic factors which at this time were moving in the direction of lower prices, and at the same time would have tended to induce on the part of the banks a more liberal attitude toward furnishing additional credit.

14

The pressure of discount rates and of liquidation in the agricultural sections resulted in great hardship, losses and sacrifice. These were not confined, however, to agricultural sections.

14

The pressure was greater upon the agricultural sections: -

- (a) Because of the peculiar conditions surrounding the marketing of agricultural crops;
- (b) Because the crops of 1920 had been produced at costs greater than those applicable to any other crops in the history of the country.
- (c) Because prices of agricultural commodities declined to a greater degree and with greater rapidity than the prices of other commodities.

14

The liquidation of bank loans and discounts in agricultural sections was less than in the industrial sections.

14

In fact, but little actual liquidation of loans and discounts had taken place in the agricultural sections of the country as a whole up to May, 1921.

14

Certain exceptions noted:-

Liquidation of loans and discounts in the Kansas City district in the period between March 4, 1920 and April 28, 1921, amounted to 13 per cent, and was substantially

as great in the agricultural sections as in the industrial sections.

In the Dallas district, the loans and discounts in agricultural counties were reduced 6.33 per cent, and in non-agricultural counties 12.6 per cent.

In the Minneapolis district, the loans and discounts were reduced 4.81 per cent in agricultural counties, and 12.02 per cent in non-agricultural counties.

The above does not mean that there was no pressure for liquidation in agricultural loans as well as industrial and commercial loans. It means rather that the prices received by the farmer were not sufficient to liquidate the debts he had made in producing the crop and in extending his plant and operations during the more prosperous period which preceded the crisis.

14

Liquidations in bank loans in the agricultural counties in the Kansas City district were materially larger than in the agricultural counties of the other Federal Reserve districts.

14

This enforced liquidation undoubtedly resulted in great hardships and losses from forced sales of farm commodities, particularly in the case of cattle.

14, 15

The deflation, hardships, and losses increased in the Kansas City district particularly, and in other districts in which the progressive rate was applied and by the application of progressive rates upon borrowing in excess of the basic line of the borrowing banks.

15

The pressure of liquidation may be indicated by a reduction in deposits as well as by a reduction in loans and discounts. This pressure in agricultural sections is exhibited by the fact that the reduction of total deposits (time and demand) in agricultural counties was 11.1 per cent as compared with 5.2 per cent in semi-agricultural counties and 4.4 per cent in industrial counties.

15

Page No.

- In demand deposits, the reduction was 20.02 per cent in agricultural counties, 13.14 per cent in semi-agricultural counties, and 10.07 per cent in industrial counties. 15
- It was contended that high rates for call money on the New York stock exchange brought a withdrawal of funds to New York which were sorely needed by industry and agriculture. 15
- The rates for call money in New York during the period from January, 1920, to June, 1921, were continuously below 10 per cent, with the exception of the period from January to March, 1920. 15
- Beginning with November, 1919, and continuously throughout 1920 and the first half of 1921, the loans of New York City banks made on the stock exchange for out-of-town correspondents as well as the balances of country banks with New York City banks continuously declined. 15
- The Gold Settlement Fund statistics show the continuous flow of money on ordinary transactions from the Federal Reserve Bank of New York to other Federal Reserve banks during this period. 15
- The very great demands for money by industry and agriculture resulted in the withdrawal of funds from New York, causing higher interest rates, - instead of the demands of the stock exchange resulting in the withdrawal of funds from the banks serving industry and agriculture. 15
- The position of the Federal Reserve Board and the Federal Reserve banks during the war period and the cycle of expansion, extravagance, etc. which followed it, was extremely difficult. 15
- Enormous issues of war bonds were floated through them and their auxiliary organizations. 15

Their policy was not only interwoven with the policy of the Treasury Department, but subordinated to it. 15

The decisions which had to be made were difficult and important. 15

Doubtless in these circumstances mistakes of judgment were made which the clearer judgment of retrospect would change. 15

The commission believes that a policy of sharp advances in discount rates should have been inaugurated the first six months of 1919, and cannot excuse the action of the Federal Reserve Board and the Federal Reserve banks in this period in failing to take measures to restrict the expansion, inflation, speculation, and extravagance which characterized the period. 15

CHAPTER I.

The Federal Reserve System.

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Open-market Transactions 22

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Disposition of Earnings of Federal Reserve Banks 26

CHAPTER II.The Operations of the Federal Reserve System Related
to Economic Periods.

Development of the Federal Reserve System	27
Periods:	
I. November, 1914 - April, 1917.	
II. April, 1917 - August, 1918.	
III. August, 1918 - March, 1919.	
IV. March, 1919 - June, 1920.	
V. June, 1920 - June, 1921.	
 I. November, 1914 - April, 1917.	30
Prices increased enormously - 75%	
Farm products from 101 to 181	
Food from 105 to 182, etc. etc.	
Wheat rose to \$2.95 in May, 1917	
Exports increased 352% mostly for war.	
Bank loans, state and national, increased 41%	
General stock of money increased 27.4%	
Increase in price caused by	
(a) War demand	
(b) Gold imports	
Federal Reserve bank rates higher than market rates.	31
 II. April, 1917 - August, 1918.	36
Great increase in production	
Great increase in prices	
Farm products, - 181 to 230	
Control of production and consumption	
Food Administration	
Fuel Administration	
R. R. Administration	
War Finance Corporation	
Capital Issues Committee	
Bank loans, state and national increased 11.9%	
Federal Reserve bank discounts, etc. increased 171%	
Federal Reserve notes increased 238%.	
General stock of money increased 33.9%	
Government excess of disbursements 12.3 billions financed by Treasury.	37, 38

III. August, 1918 - March, 1919. Temporary deflation. 41

- Prices declined
- Production fell off
- Exports fell off slightly
- Loans and deposits of national banks practically stationary
- Federal Reserve notes declined slightly
- General stock of money declined slightly
- Federal Reserve banks discouraged expansion by direct action but did not advance discount rates.

IV. March, 1919 - June, 1920. Post war inflation. 42

- Great inflation
- Great increase in prices. 33-1/3%
- Great speculative activity.
- Government restraints removed.
- Farm products. 228 to 244
- Food products 203 to 287
- Loans and discounts, state and national banks increased 24.7%.
- Federal Reserve bank discounts etc. increased 33.4%
- Federal Reserve notes increased 24.7%
- Exports sustained by loans of 2-1/2 billions to foreign Governments.

Prices and bank expansion.

	Price Advance.	Banking Expansion	
Prewar period	75%	40%	
War period	17%	14%	
Post war period	33%	30%	43

Government's revenues in 1919 overtook expenditures. 43

This released credit which would have reduced borrowings from Federal Reserve banks if rates had been increased so as to prevent credit being employed in speculative industries. 43

Up till 1919, total expenditures of Government for all purposes from beginning of war was 27.8 billions, of which 6.9 billions had been raised by taxation. 43

- No further bond issue could be made without added inflation or manufacture of credit. 44
- Increase of Federal Reserve discount rates just before Victory loan would have diminished its success or compelled its failure. Leffingwell quoted. 44
- Increased discount rates would have necessitated higher rates in Victory Loan issue.
- Treasury objected.
- If rate of Victory loan had been that of other taxable investments or of short term Treasury certificates, of acceptances (4-1/4%) or on commercial borrowings (5-1/2%) pressure to refund outstanding bonds on basis of higher Victory Loan rates would have increased and possibly have been irresistible. 44
- Such high rates in Victory loan would increase interest rates generally and depreciate the value of the outstanding Government bonds carrying lower rates. 44
- Might have caused large liquidation of securities other than Government bonds, and depreciation of securities held by savings banks, trust companies, insurance companies, etc.
- The advantages of increased discount rates to prevent speculation and inflation yielded to the apprehensions of the Treasury. 44
- Treasury difficulties should not have controlled the Discount policy of the Federal Reserve banks. 44
- Had Federal Reserve banks in spring of 1919 increased rates promptly and progressively, much of the speculation, expansion and inflation of the succeeding 12 months might have been greatly retarded, if not wholly prevented. 44

Loans and discounts of member and Federal Reserve banks continued to expand in spite of direct action and remonstrance. 44

The Federal Reserve banks, however, did not increase discount rates until December, 1919, when slight increases were made, followed by more radical increases in January, 1920 and others later in 1920. 45

Meantime the inflation and speculation continued and prices went to unheard of levels.

Sharp increases at beginning of this period would have:

- (a) Served as warning.
- (b) Served to check the economic and psychological forces which combined to produce an unparalleled era of expansion, inflation, high prices, etc. 45

It is altogether probable, if it is not wholly certain that had a sound policy been adopted at the beginning of this period, liquidation would have been less precipitous, the decline less abrupt, and the attendant hardships and losses upon banks, individuals, etc. correspondingly diminished. 45

V. June, 1920 - June, 1921. Deflation and Liquidation. 45

Spring of 1920. Deflation began 45

Exports declined
 Consumption fell off
 Stream of production flowing from farmer to consumer backed up in channels of distribution.
 Higher discount rates and tight money operated as dikes to keep goods flowing in channels of trade.
 Prices fell below cost of production.
 Cost of production higher in 1920 than in any preceding year.
 Receipts from farm products could not liquidate the indebtedness against them and provide for new production.
 More credit needed to finance new production and carry 1920 production until it could be moved. 45

Buyers' panic at end of 1919. 45

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	Page No.
Supply not adequate to meet demand.	
Marked increase of orders.	45
A runaway, sellers market.	46
Suddenly bubble burst Cancellation of orders Prices fell precipitately	
Causes:-	
(a) Wave of cancelled orders	
(b) Fright accompanying it	
(c) Exhaustion of credit preceding it.	
Price decline without parallel in 120 years.	46
 These conditions forced upward the loans and discounts of state and national banks and deposit and currency liabilities of Federal Reserve banks. Figures.	 46
 During this period, the policy of Federal Reserve rates lower than rates carried by Government securities passed away.	 46
 Discount rates during this period were more radical in in- crease than any previously adopted.	 47
 Especially so as to increase on collateral notes secured by Government obligations, which were increased from 4-3/4 to 5% in some cases, from 4-3/4 to 5-1/2 in others, and later to 6%.	 48
 These increases were under general policy of uniform rates on all paper of the same maturity regardless of the collateral supporting it.	 48
 Claimed to be sound central banking practice.	 48
 All loans for same maturities by Federal Reserve banks, being indorsed by member banks are presumed to be good, whatever the collateral, commercial paper or Government paper, and should take same discount rate.	 48

That is to say:-

Difference in rate should be based upon maturity and not on character of collateral.

Sixty-six per cent of borrowings of member banks at this time were based on Government paper.

The increase in discount rates thus forced banks to dispose of much of their holdings of this kind of paper.

This released funds invested in war paper and made possible a reduction of member banks borrowings from Federal Reserve banks.

48

This theory is sound and in line with central banking practice.

Its application at this time resulted in hardship upon some member banks, and was, perhaps, needlessly drastic.

48

Federal Reserve banks, as previously stated, to aid Treasury finance, gave a preferential rate in favor of paper secured by Government bonds.

The effect of above increase:

- (a) Penalized the member bank borrowing on Government securities owned by it, for the benefit of its customers.
- (b) Penalized the banks loaning at low rates to customers on their notes secured by Government bonds.
- (c) Destroyed advantage of Government bonds as basis of loans by member banks from Federal Reserve banks.
- (d) Induced liquidation of these bonds by member banks.

This tended to depress price of Government bonds. Tables. 48 and 49

During a period of sharp and short duration, of unusual expansion and contraction, curves representing (a) movement of loans and discounts, (b) movement of deposits, (c) movement of prices, would tend to run parallel.

49

The chart showing this, - B page 51, - shows prices falling while (a) increase, and thus it is apparent that the strain of credit becomes greater and greater.

49

The point of greatest stress upon credit would occur at point at which the curve of loans and discounts and currency issues, and the curve showing prices and stocks of goods were the furthest apart. 49

If this condition continued, the credit structure would break, with resulting panic and bank failures. 50

That is, as prices fall and loans and discounts increase, the margin diminishes.

Debts must ultimately be paid out of goods. 50

The higher price of goods, relatively, the more easily the debts can be paid.

The more debts to be paid, the more difficult to pay under falling prices. 50

Assuming a drop in prices inevitable in 1920, some action of Federal Reserve Board was necessary to bring the debts to be paid into a closer relation to the price of goods. 51

Position of Federal Reserve Board very difficult in period following armistice.

(a) Duty of Board and banks to provide for essential credits.

(b) Duty to limit credits for non-essential and speculative credits.

(c) Duty to prevent banks to overextend. 51

Balance between these was extremely delicate.

It is probable that the Federal Reserve Board and some of the Federal Reserve banks, with a view to preserving the integrity of the banking system, and to prevent a financial panic, imposed excessive pressure in the direction of reduction, or at least, prevention of expansion of loans and discounts of the member banks. 52

Policy of Federal Reserve Board and Federal Reserve banks during all of this period, and increasingly during latter half of 1920, was one of restriction of credit. 52

An alternative policy would have been extension of all credit desired for any purpose.

Would have involved dangers:-

- (a) Might later have resulted in large number of failures.
- (b) Undue reduction of reserves
- (c) Excessive currency issues resulting in depreciated currency.
- (d) Loss of confidence in banking system, runs on banks, and demands for redemption of Federal Reserve notes in gold.

52

Increased discount rates could be effective only against banks borrowing from Federal Reserve banks. Tables. 52
Tables show 6941 banks (73%) were borrowing from Federal Reserve banks and 2467 (27%) not borrowing, in year 1920. 52, 53.

Federal Reserve Board and Federal Reserve banks can not directly control or supervise the loan policy of member banks; can not require a bank to make a loan, nor prohibit it. 53

Nor can they directly control loan policy of 20,000 state banks and trust companies, not members, representing 35 or 40% of bank resources of U. S. 53

Only restraint, restriction of credit against member banks, through:

- (a) Refusing loans in individual cases.
- (b) Pressure of discount rates on those which were borrowing

Restraint was exercised in both (a) and (b).

There were cases where it resulted in hardship on member banks and on their customers. 53

The policy of Federal Reserve banks reflected necessity for control, restraint and restriction. 54

Could not be uniformly applied:

- (a) Conditions in districts not uniform; demands for customers loans in some districts greater in proportion to banking resources than in others.
- (b) Condition of member banks not uniform.
- (c) Loan policies of member banks influenced more by individual judgment of local conditions than by considerations of general policy affecting country as a whole.

54

Question of loans by Federal Reserve bank different from loan by a member bank.

Amount of a loan to a member bank only arises when member bank attempts to borrow more than amount to which it is fairly entitled.

54

While loans and discounts of banks and Federal Reserve banks increased until October, 1920 and currency issues until Jan. 1921, the net result of the period from June, 1920 to June 1921 was a decline.

54

Loans and discounts, all banks, state and national declined 9.5%.

Loans and discounts of national banks declined 11.8%

Total bills, etc. of Federal Reserve banks declined 36.3%

Federal Reserve notes in circulation declined 18.5%

55

General stock of money increased 3.4%

From June, 1920 to June, 1921

- Prices decreased 44.9%
- Loans and discounts decreased 18%
- Farm products decreased 53.9%

55

Federal Reserve bank reserves increased from 43.6 to 60.8% caused

- (a) Liquidation of member bank borrowings
- (b) Net importations of gold

55

Progressive rates explained
(See also p.25)

55

In districts where progressive rate applied, and in some others, the resources of the Federal Reserve banks were largely absorbed by a relatively small number of banks. 56

This absorption reduced ability to lend to other member banks. 56

Progressive rates by penalizing banks which were borrowing excessively, tended to reduce their borrowings, making a larger amount of funds available for banks borrowing moderately or not at all. 56

Commission able only to obtain data as to progressive rates in Kansas City District. 56

Complaints against progressive rates.

1. Resulted in exorbitant rates on member bank loans.
2. Excessive pressure on member banks to reduce borrowings from Federal Reserve banks.
3. Excessive rates on borrowings of some banks and consequent hardship.

Kansas City District fairly typical. 56

Chart C, p. 57, shows:

Jan. 1920. 14 Kansas City banks had absorbed 34% of normal lending power of the Federal Reserve bank, and 9 Omaha banks 23.5%. Total 57%. 56

April 1920. The 14 Kansas City banks had absorbed 50% and the 9 Omaha banks 23%. Total 73%. 56

This left only 27% of normal lending power for the 1063 other member banks. 56

In period from April, 1920, to December 31, 1920:

Banks not previously borrowing had absorbed 12%. 57

Borrowing banks increased from 178 (16.8 of all banks) to 416 (38.3% of all banks).

Borrowing banks total borrowings from Federal Reserve bank increased from 106.8 millions to 117.3 millions or 9%.

Borrowings of the 14 Kansas City banks fell off from 50% to 36%, and the 9 Omaha banks fell off from 23% to 13%. 57

Progressive rates compelled reduction in proportion of lending power absorbed by 14 Kansas City and 9 Omaha banks. 58

Also permitted use of lending power to meet requirements of other banks previously borrowing moderately or not at all. 58

Chart D, p. 59 shows distribution of credit based on loaning power of Federal Reserve bank including rediscounts from other Federal Reserve banks which were not included in Chart C, p. 57. 58

Chart D shows similar decline in absorption by the 14 Kansas City banks and 9 Omaha banks (progressive rate banks). 58

Shows also that all other banks paying progressive rates, - exclusive of those in Kansas City and Omaha, - continued to increase their borrowings until December, 1920, during period of sharpest decline of the borrowings of the Kansas City and Omaha member banks. 58

Shows also:

That banks borrowing within their basic line increased until August, 1920, when they absorbed 31% of total lending power of Federal Reserve bank. 58

From August, 1920, to December, 1920, they declined to 17%. 58

Chart also shows that effect of progressive rate was to reduce borrowings of city banks and to permit an increase in borrowings of country banks. 58

What actually happened, as the chart shows, was that the borrowings of the Kansas City and Omaha banks were transferred to country banks, thus increasing their proportion of borrowings subject to progressive rates and decreasing that of the Kansas City and Omaha banks subject to progressive rates. 58

Table, p. 60, shows gain in rates paid on progressive plan over what they would have been under a uniform 7% rate. 59

- Average rate paid by banks borrowing at progressive rates, 6.76% 62
- Average rate paid by all banks at normal and progressive rates,
6.61% 62
- Total interest paid by all banks in Kansas City was \$325904.78 less
than if 7% rate had been in effect. 62
- Chart also shows:
If all banks in district had borrowed total amount of basic
lines, the liabilities of the Federal Reserve bank would have
been extended by 50 millions of dollars. 62
- Governor Miller testified that total amount of interest in excess of
12% refunded to country banks was less than \$300. 62
- Interest charges made by member banks paying progressive rates were
same as those paying normal rates or those which had not
rediscounted at all with Federal Reserve banks. 62
- Interest charged by member banks subsequent to application of
progressive rates were no higher than rates charged before. 62
- Whatever may be said as to effect of progressive rates on the
average, both as to compelling liquidation and average rate of
interest, the fact still remains that:
- (a) Its application in many instances resulted in unconscionable
rates upon the borrowings, or some portion thereof, of
banks borrowing in excess of their basic line. 62
 - (b) Its application served to exert pressure for liquidation
upon those banks and communities where the needs were
greatest, that is, to penalize the banks making the greatest
efforts to serve their customers. 62
- The application of such a uniform and arbitrary rule to all banks ***
without regard to peculiar circumstances *** can not be justified
from standpoint of sound banking, nor from standpoint of the
consideration to which the public is entitled from banks ***
exercising public functions ****. 62

The infirmity of the progressive rate is its substitution of fixed, arbitrary rule for the exercise of sympathetic discretion in making loans. 63

Deflation was more rapid in Kansas City District than in other fairly comparable agricultural districts. 67

Relative degree of deflation of loans and discounts in country as compared with city banks.

Country banks increased their borrowings in all districts except Kansas City. 68
 Amounted to 33%. 68

Chicago increased	83%
Minn. "	29%
Dallas "	15%
Atlanta "	44%
Richmond "	27%

Kansas City decreased 4%. 68

Progressive rate was in effect in Atlanta, St. Louis, Kansas City and Dallas 68
 Not in effect in Chicago and Minneapolis

Examination of tables shows:-

1. Amount and rate of deflation was not controlled by progressive rates.
 Rate of deflation was 35% in Kansas district (progressive rate) and 35% in Minneapolis (non progressive rate).
 The non-progressive rate banks of Chicago decreased 30%, while Dallas (Progressive rate) decreased 12% and Atlanta (progressive) increased 26%. 68
2. The reduction in loans and discounts in country banks was relatively less than in city banks. 68

Chart F, page 79 shows:

Borrowings of member banks in Atlanta and Richmond were in excess of total basic lines during entire period from June 1920 to July 1921. 78

Borrowings of member banks in Minneapolis district were in similar excess except in March and April, 1921. 78

CHAPTER III.

Chapter III.

Policy of Treasury in relation to Federal Reserve policy. 80

It is assumed that war requirements could not be immediately provided out of increased production or decreased consumption. 80

Some portion of cost of war must have been furnished through increase of bank credits.

This credit was in part manufactured credit.

Principal question was rate of interest Government bonds should bear. 80

Two policies possible:-

1. To sell bonds at market rate or at a relatively high rate 80
2. To sell bonds below market rate or at a relatively low rate. 80

Considerations favoring 1.

- (a) High rate would encourage saving.
- (b) Would result in transfer of existing capital from non-essential and low rate investments to Govt. bonds.
- (c) Would absorb free capital, discourage non-essential production.
- (d) Would limit expansion and inflation
- (e) Would reduce consumption
- (f) All of above would retard rise of prices.
- (g) Lower prices would reduce amount of money needed by Government.
- (h) The higher rate would have tended to maintain the price of Government bonds at par. 80

Considerations favoring 2.

- (a) Treasury should secure funds at lowest possible rate 81
- Sound only if same amount of money required to finance war at high as at low rate of interest. 81

Considerations favoring 2 (Continued)

Page No.

- (b) Any policy should avoid too sudden changes in rates which would cause rapid changes in general interest rates, with resulting dislocation and embarrassment to industry.

81

Commission is of opinion:

Advantage of low rates more than offset by the inflation it caused and the attendant high prices.

81

Low rate policy increased total expenditures for interest and principal of debt.

Investors, buying from patriotic motives suffered:-

- (a) From low rates and consequent depreciation of market value of the bonds.
 (b) Whole country suffered from increased cost of war

Advantage or disadvantage of the 2 policies is measured by inflation necessarily following either.

The inflation under the low rate policy was measurably greater than under high rate policy.

81

Method of inflation or manufacture of credit by Federal Reserve banks.

- (a) Buyers were encouraged to borrow money with which to purchase Liberty bonds at same rate as that paid on the bonds, depositing the bonds as collateral.
 (b) This increased loans and discounts of the lending banks and also deposits to credit of Government.

81

These bonds carried themselves.

The Government left the funds with the banks for some weeks at 2% interest and no reserve was required.

The banks made a profit and the increase of their deposits gave larger sums for short time loans to their customers, this tending to cause inflation.

81

- (c) When the Government called for these funds the banks would obtain advances from Federal Reserve banks on their notes with the bonds as collateral, or they would rediscount the notes of their customers, so secured.

82

- (d) The proceeds of every \$5 would appear on Federal Reserve bank books as about \$2 in deposits and \$3 in Federal Reserve notes

82

- On the deposits thus created future loan expansion by the member banks would arise. 82
- (e) According to Persons, a deposit in Federal Reserve Bank of \$100,000 will support 1.1 or 1.2 millions of loans by member banks, 11 or 12 to one, and will permit an equal increase in Federal Reserve notes and deposits of member banks combined. 82
- (f) The Government, on withdrawing these funds, usually paid them to American producers of war material, either directly or through loans to allied Governments.
- (g) These funds promptly came back to the banks as commercial deposits.
- (h) This increased the assets and liabilities of the Federal Reserve banks and member banks.
- This procedure forced Federal Reserve banks to extend credit without loss to the member banks. 82
- Or even to furnish a profit to the member banks in the first instance by discount rates lower than rate borne by the bonds. 83
- Thus the successful sale of Liberty bonds at low interest rates was necessarily predicted on low discount rates by the Federal Reserve banks. 83
- This low rate policy was contrary to the policy of the great financial countries of the world prior to the war and in some cases during the war. 83
- Certificates were also issued in anticipation of loan and tax payments. 83
- More important in creation of bank credit and expansion of loans and discounts than Liberty bonds or Victory notes. 83
- Reason was:-
 Primary ownership largely remained with the banks.
 Difficult or impossible to sell them on an investment basis
- This made necessary disposal of the bonds to the banks on a basis which would make it profitable for the banks to handle them. 83

The banks received a larger return from the purchase of certificates than the rate borne by the certificates.

The banks gave credit to Government for their subscriptions. This increased equally its deposits and loans.

While the banks paid 2% on these deposits, they need keep no reserve and they often were not drawn out by the Government for a considerable time.

When called for, the banks could borrow from Federal Reserve bank at a rate no higher or even lower than the certificate rate.

83

In this way a proportion of the credit expansion implied in making these loans was transferred to the Federal Reserve bank.

83

As the deposits thus created in the Federal Reserve banks were drawn upon by member banks for vault cash and till money, part of these deposits were converted into Federal Reserve notes.

83

When the funds were paid by the Government to manufacturers, etc. they promptly returned as individual deposits.

84

Against these deposits the banks had to keep reserves, thereby increasing the loans and deposits liabilities.

On sale of the long time Government bonds, the certificates issued in anticipation were retired.

In so far as the bonds were purchased by investors who did not have to borrow, the inflation was reduced, because the redemption of the certificates reduced the bank investments and the banks could reduce their debt to the Federal Reserve banks and thus prepare for another period of short time Government accommodation.

84

CHAPTER IV.

Federal Reserve policy in 1920.

85

In Sept. 1920, decline of prices well under way.

General index fell from 272 to 242
Agric. products " " 244 to 210

Lower discount rates demanded to check this decline

Claimed fall in prices due to high discount rate policy of
Federal Reserve banks.

Lower discount rates were asked in order to arrest pro-
cess of liquidation.

No change in policy was made.

85

Factors in rate making:-

- (a) Condition of lending banks
- (b) Reserve ratio of Federal Reserve banks
- (c) Possibility of gold withdrawals
- (d) General condition of business

Causes of decline in prices, especially of agricultural pro-
ducts:

- (a) Falling off in exports. 85
- (b) " " speculative demand. 86
- (c) Reduction in domestic consumption in latter part
of 1920 and first half of 1921. 86
- (d) Psychological attitude of the people. 86

In 1919 great complaint against high cost of living.

86

Senate Resolution, May 17, 1920.

Asked Board steps it proposed to take to meet
existing inflation of currency and credit and
the consequent high prices.

86

Newspaper propoganda, coupled with expansion of
credit *** reversed the psychological attitude
which had contributed to inflation of prices and
bank credit.

86

The drop in prices, heralded as beginning of defla-
tion introduced psychology of fear into bankers
minds.

- Made them ignore banking maxim that in times of credit strain, money should be lent freely though at a high rate.
 Made them exert pressure for liquidation. 86
- Merchants were forced to sell stocks to liquidate loans.
 Buyers bought only from day to day.
 Orders were cancelled.
 Consumers bought only for immediate essential needs. 86
- Production slowed down.
 Unemployment increased.
- A change in Federal Reserve policy would probably have reversed in part the psychological and economic factors tending to lower prices. 86
- Would have tended to produce a more liberal attitude in banks as to furnishing additional credit.
- Such a change of policy would necessarily mean an extension of loans.
- Desirability of such a change in policy must depend on supply of funds available.
- Banks can lend freely only when their condition will admit without endangering interests of depositors and stockholders. 86
- What was the condition of the banks in last part of 1920:
 Varied widely 87
- One-third were greatly extended
- One-third moderately extended
- One-third loaning within very conservative limits. 87
- This condition shown by numbers borrowing from Federal Reserve banks:
- One-third borrowing very heavily
 One-third borrowing moderately
 One-third borrowing not at all. 87
- Those not borrowing at all could meet their requirements by borrowing from Federal Reserve banks.

Those borrowing moderately could borrow more.

Those borrowing immoderately could not extend further credit without danger of their solvency.

Where a bank is in latter situation, where additional loans dangerously decrease ratio of capital to loans and discounts, or to deposits, the remedy is to increase its capital and not increase its borrowings from the Federal Reserve banks.

87

Banking capital has not kept pace with deposits during the period of deflation.

From June 30, 1913 to June 30, 1920:-

National banks

Deposits increased 109%

Capital and surplus increased 22%

Ratio of capital to deposits:

1913. 1 to 5.45

1920. 1 to 10.89.

87

Margin of safety had thus decreased 50%.

Ratio of capital to loans and discounts:-

1913. 1 to 5.84.

1920. 1 to 9.95.

87

If capital had maintained same ratio as deposits, 16.8 billions of additional loans could have been made by member banks.

87

This possible expansion is wholly theoretical, as it would be limited by reserve requirements which would greatly reduce its aggregate.

87

It is clear that in many cases, inadequacy of capital and not insufficiency of Federal Reserve bank credit was a factor which limited and restricted credit during this crisis.

88

Federal Reserve Board and Federal Reserve banks bound to consider effect of a more liberal policy.

Must result in more loans. As banks loan in period of falling prices the strain upon credit becomes more and more pronounced.

88

Danger of bank failures increases.

Federal Reserve Board and Federal Reserve banks felt this danger of bank failures was a real menace, which would have been greatly increased by a discount policy sufficiently liberal to arrest the process of liquidation.

88

The Commission, however, believes that notwithstanding this danger, a more liberal policy could have been adopted in the latter part of 1920 and the early part of 1921, and that it would have served to arrest in part the tide of deflation and reduce the hardships and losses incident thereto.

88

Whatever may be said of the policy adopted from the standpoint of wisdom and necessity, in the light of the psychological and economic factors necessary to be considered, it is evident that the application of the policy in the rural sections resulted in great hardship and distress and contributed to some results economically undesirable.

88

This hardship was due, in large measure:-

- (a) To excessive cost of producing the 1920 crop
- (b) To the slower turnover incident to farming operations.

Pressure for liquidation compelled in many cases the sale of immature cattle and calves which seems likely to result in a shortage of meat supply during the coming season of production.

88

The pressure for liquidation forced sales while a wiser and more discriminating policy would have suggested carrying the borrower until less disastrous sales could be made.

88

Farmers difficulties were increased:-

Prices of what he sold declined faster than prices of what he had to buy.

89

Had the change in policy, if carried out, arrested the decline in prices of what he had to buy, without arresting the decline of prices of what he had to sell, his condition would have been worse than what it was. 89

Federal Reserve banks ratio of reserves in May 1920 had fallen to 42.7%.

Omitting inter-Federal Reserve bank rediscounts, the ratio of reserves in many of the southern and western Federal Reserve districts was far below 40%. 89

In Atlanta, Minneapolis, Kansas City and Dallas, the reserve ratio, unadjusted, fell below 20%, at times during last half of 1920. 89

At one time during 1920, 7 of the Federal Reserve banks were borrowing from the other 5. 89

The Federal Reserve Board could have suspended the reserve requirements, but would have created an anomalous condition:-

The purpose of the suspension would be to enable member banks to increase loans.

The banks, however, would have to pay a tax on the reserve deficiency. 89

The purpose of the tax, to be added to the discount rate, is to cause a reduction in borrowings from Federal Reserve banks, so as to bring up the reserve ratio to required amount of 40%. 90

To have suspended reserve requirements in latter half of 1920 would be to encourage larger borrowings from the Federal Reserve banks, on the one hand, and to discourage them on the other, by increase in the discount rate. 90

Studies made by Commission:

1. Was expansion in bank loans during the 4 or 5 years ended with June 1920 more or less rapid in rural districts than in financial and industrial centers? 91

Examined into by Dr. David Friday. 91 to 101

The tables prepared by Dr. Friday show:-

The expansion in agricultural states during the period of inflation was at least as great, if not greater, than in the industrial states. 101

Another study in cooperation with the Federal Reserve Board and Federal Reserve Bank of New York:

Between May 4, 1920 and April 28, 1921.

(a) Loans and discounts.

Banks in agricultural counties	<u>declined.</u>	1.2%	
" " semi-	" "	1.3%	
" " non	" "	5.6%	

(b) Borrowings from Federal Reserve banks.

Banks in agricultural counties	increased	56.6%	
Banks in semi " counties	remained stationary		
" " non	<u>declined.</u>	28.5%	101

Pressure of liquidation is also shown by reduction of deposits in above study.

Agricultural counties	decreased	11.1%	
Semi " " "		5.2%	
Non " " "		4.4%	115

This reduction is emphasized as to agricultural counties by fact that time deposits increased except in Minn. and Kansas City districts. 115

Increase was over 594 millions or 10% 116

Demand deposits

Agricultural counties	decreased	20.02%	
Semi " " "		13.14%	
Non " " "		10.07%	116

In agricultural counties, demand deposits decreased 469 millions while loans and discounts decreased only 36.5 millions. 117

Means that farmers being unable to sell their products for enough to liquidate their loans, or to sell them at all in many cases, drew down their deposits to pay their debts to merchants, factors, etc. who in turn paid the wholesalers or manufacturers, who in turn, liquidated their bank loans. 117

This process, added to the liquidation in industrial sections, resulted in a total reduction of bank loans of 327 millions and a reduction of total deposits of 665.7 millions. 117

Conclusion of commission from above studies:-

1. Expansion of bank loans in rural districts during inflation period ending June 1920, was relatively greater than in industrial sections. 117
2. The action of the Board and Federal Reserve banks during the 15 months preceding April 23, 1921, did not produce a greater curtailment of bank loans in rural districts than in the financial and industrial sections. 117
3. Credit was not absorbed by the financial centers at the expense of rural communities for the purpose of speculative activities.
4. The pressure of liquidation and depression in the agricultural sections was reflected in a reduction of deposits, which was relatively larger in agricultural and semi-agricultural counties than in the industrial centers. 117

These conclusions are supported by an analysis of borrowings of member banks from Federal Reserve banks, dividing the Federal Reserve districts into:-

1. Industrial section.
Federal Reserve banks of Boston, New York, Philadelphia and Cleveland.
2. Cotton section
Federal Reserve banks of Richmond, Atlanta, and Dallas.
3. Agricultural and live stock section.
Federal Reserve banks of Chicago, St. Louis, Minneapolis, Kansas City and San Francisco. 118

Table 35.

Total amount of all paper held by Federal Reserve banks during period from January, 1920, to May 31, 1921, divided into 3 sections, - industrial, agricultural and live stock, and cotton. 118

Comparison with peak, - October, 1920, and May 31, 1921.

1. Total paper, all districts.

Industrial fell off from 109 to 66.3 = 42.7

Agricultural and live stock fell from 109.4 to 82 = 27.4

Cotton section fell from 112.6 to 92.5 = 20.1

2. Agricultural paper, all districts.

From January 1920 to May, 1921. Rose from 27.1 to 178.1

In agricultural section rose from 66.8 to 259.8

In agricultural and live stock section

rose from 34.1 to 184.8

In cotton section " " 8 to 158.2

119

3. Live stock paper

Industrial section. Rose from 10.4 on Jan. 30, 1920 to 303.6 in August, 1920.

August 20, 1920 to May 31, 1921, fell to 43.8

Not sufficient in volume to be indicative.

120

Cotton section.

Rose from 32.5 in Jan. 1920 to 161.2 in April 1921.

Fell to 169.2 in May, 1921.

Agricultural section.

Rose from 44.3 in Jan. 1920 to 136.5 in Oct. 1920, and then fell to 84.4 in May 1921.

120

All districts combined.

Rose from 42.3 in Jan. 1920 to 136.9 in Oct. 1920 and then fell to 96.2 in May 1921.

120

This table indicates:

(a) The increase in discounts of agricultural and live stock paper was relatively greater than that of all other paper.

(b) The liquidation of discounts of agricultural and live stock paper was relatively less than the liquidation of all other discounts.

120

CHAPTER V.

Federal Reserve policy as indicated by a comparison of interest rates on U. S. certificates, bank acceptances, commercial paper, and discount rates. 121

New York is the money center of the U.S.

Transactions in U.S. certificates, acceptances (domestic and foreign), bankers acceptances, and commercial paper, center in New York.

The discount rates of Federal Reserve Bank of New York, therefore, indicate the general relation between interest rates and discount rates. 121

Chart K. p. 122
Shows relation between Federal Reserve Bank of New York. Discount rates and the market rate for U.S. certificates, bankers acceptances and commercial paper.

From Jan. to April 1920.
Federal Reserve bank rate lower than market rate for all above except U.S. certificates.

Since Jan. 1921.
Federal Reserve bank discount rate higher than U.S. certificates and bankers acceptances but lower than market rate for commercial paper. 121

Relation between Federal Reserve bank rates and market rates is important for reason that when Federal Reserve bank rate is higher than market rates, banks would derive profits from paying off their indebtedness to the Federal Reserve bank. 121

Chart L. p. 123
Relation between rates of issue of U.S. Treasury certificates and rate of Federal Reserve Bank of New York on advances on such certificates.

Chart M. and table 36 p. 124
Comparison between Federal Reserve Bank of New York. Discount rates on 4 to 6 months commercial paper, with the market rate.

Until April, 1917, entrance into war, the Federal Reserve bank discount rate on commercial paper was higher than the market rate. 125

After April, 1917, was always lower. 125

Charts N and O.
Relation between minimum discount rate of Bank of England and the market rates on 90 day bills. 125

Bank of England rate higher than market rate. 125

Chart K.
Shows that Federal Reserve Bank of New York discount rates on U. S. certificates, since January, 1921, has been above market rate. 122

Also that Federal Reserve bank discount rate on acceptances since January, 1921, has been above the market rate. 122

Tables 38 and 39.
Official discount rates. Foreign central banks. 127

These tables show:-
Discount rates of Great Britain, Spain, Denmark, Japan and Norway were increased before those of the Federal Reserve Bank of New York. 128

Japan.
Oct. 1919. Increased from 6.5 to 7.3%
Nov. 1919. " " 7.3 to 8.03%
Coincident with break in the silk market and resulting financial crisis. 128

CHAPTER VI.

Earnings of Federal Reserve banks as related to Federal Reserve policies. 129

Public service and net profit is the purpose of the Federal Reserve system. 129

Profit from discount rates should not be and has not been a factor in determining rates. 129

No incentive to profit because of the franchise tax. 129

Profits depend on volume of member bank borrowings and bills purchased. 129

Borrowings are larger in times of financial stress, and, therefore, gross profits are larger. 129

Table 40, p. 130.
Profit and loss account of Federal Reserve banks, 1920. 130

Gross earnings.
1920. 181.2 millions. 130

Net earnings.
1920. 149.2 millions. 132

Dividends. 5.6 millions
Surplus 82.9 "
Franchise tax 60.7 "

Conclusion of commission
Profits of Federal Reserve banks bear no relation to policy of Federal Reserve Board and Federal Reserve banks in determining discount rates. 132

CHAPTER VII.

Movement of funds in and out of New York City. 133

Banking resources of New York City:-
2/5 of resources of all national banks in U.S.
1/5 of resources of all banks in U.S. 133

New York City is financial center of U.S.

New York City is today the money market of the world. 133

Question to consider:-

Was credit or funds drawn from the interior to the financial centers. 133

Chart P.

Rise and decline of deposits in New York City and rest of country. 134

During 1919.

Deposits outside of New York City rose from 7.5 billions to 9.1 billions.

During 1920.

This level maintained outside of New York City.

During 1920.

Deposits of New York City banks fell off 370 millions

During 1920.

Decline of deposits of all banks accounted for by decline in New York City. 133

During 1921.

Deposits of banks outside of New York City began to decline but at much slower rate than in New York City 133

July 13, 1921.

1. Banks outside of New York City
Fell from 9.1 billions to 8.7 billions. 4%
2. New York City banks
Fell from 5 billions on Dec. 31, 1920 to 4.5 billions on July 13, 1921. 10% 133

Chart Q.

Shows same. 133

Table 41, page 135.

Percentage of decline. Loans and deposits.
New York City banks and all banks in U.S.
Loans and deposits reached peak earlier in New York City than in country as a whole. 135

Total decline of both loans and deposits was greater proportionately in New York City than in country as a whole. 135

Chart B.

Balances of out of town banks with New York City banks.
 Loans placed by New York City banks for out of town
 banks, on call. 136

During expansion of 1919 until Jan. 1920:-
 These balances increased rapidly
 Balances of out of town banks were 840 millions
 Loans placed for them by New York City banks were 680
 millions - total 1.5 billions. 136

From Jan., 1920 - Jan., 1921:-
 These balances and loans decreased 450 millions.

From Jan., 1921, to July 20, 1921:
 Decreased an additional 175 millions. 136

These reductions indicate:

- (a) A movement of money away from New York City to
 the country sections during the period of
 greatest stress in the country districts.
- (b) That instead of money being drawn from the
 interior to New York City, the opposite was
 the case. 138

Above conclusion is fortified by gold settlement fund
 transactions.

Table 43 A.
 Gold settlement fund transactions Jan. to June, 1920.

Table 43 B.
 July to December, 1920. 138

Table 43 C.
 Jan., 1921, to July 20, 1921. 139

Above statements cover period from Jan., 1920, to July 20,
 1921. 139

Results in entire period.

Ordinary transactions.
 Net loss to N. Y. 1.7 billions.

Offsets.
 Treasury deposits. 1.0 billions.
 Balance on sales and purchases of acceptances
 629 millions. 140

Statement shows distinct tendency towards withdrawal of funds from New York City banks through check clearances, offset only by extraordinary transactions. 140

Tables 44 A and 44 B.

Loans to and deposits from out of town correspondents.
November 15, 1920.

Table 44 A.

Total loans outside New York district	1.3 billion
Total loans and investments	5.4 "

Table 44 B.

Total deposits from outside New York district	1.2 billions
Total borrowings from Federal Reserve bank.	880 millions

Shows:-

(a) Loans to banks, railroads, agricultural and industrial etc. outside of New York district exceeded deposits from same sources by 96.8 millions. 140

(b) In general,
Accommodation received by corporations, etc. outside of New York district from New York City banks was approximately equal to the deposits received by New York City banks from institutions and persons outside the New York district. 140

Chart S, Table 45, p. 141.
Street loans.

Shows:

1. During 1919, call funds from (a) out of town banks and (b) New York City banks increased with great rapidity. 142

2. Funds from out of town banks increased greater than from New York City banks. 142

During 1920.

Shows:-

Sharp decline coincident with pressure for loans for agricultural and commercial purposes, both in New York City and outside. 142

Shows also:-

When funds began to be withdrawn from the stock exchange in latter part of 1919. Interest rates on call money rose sharply from 6% to 14%. 142

Chart also shows:

- (a) The increase in the call loan rate was brought about by the decline in amount of available funds for call loans. 142
- (b) The increase in rates did not result in drawing funds from the interior of the country. 142
- (c) During 1920 and 1921, when funds both from New York City and outside were declining, the average call renewal rate ranged higher than during the preceding two years when funds available for call loans were increasing. 143

Chart T. Street loans. 52 New York City banks. 143

Chart U.

Relation of total loans of all stock exchange banks and the average call loan rate. 144

Both above charts show:-

- (a) That the increase in the average call loan rate, in most cases followed a decline in the total funds available for stock exchange loans.
- (b) The reduction of call loan funds either resulted from or was coincident with the pressure for commercial, industrial, and agricultural loans both in and out of New York City and the higher rates offered for these types of paper. 143

While it is true that the great demand, during 1920, for loans for agricultural, industrial and commercial purposes drew funds out of the stock market and New York City, to the country districts, it is equally true that in periods of sustained high interest rates in New York or on the stock exchange money flows from the country to New York City. 144

Money is a commodity and, like other commodities, flows to place where it commands the highest price. 144

Chart U.	
Street loans of New York City banks and call loan rates.	144
Chart V.	
Loans of reporting banks in U.S. and street loans of New York City banks.	145
Above charts show:-	
Stock exchange loans in New York City decreased more rapidly and to a much greater extent than loans and investments of all reporting banks.	145
This suggests that the demand for loans in the country generally resulted in the withdrawal of funds from the New York Stock exchange.	145

CHAPTER VIII.

Defects and deficiencies of the banking machinery.	146
Basis of credit machinery consists of 30,000 independent state and national banks.	
Independent banking, though well adapted to our independent commercial system and the spirit of our institutions, results in certain limitations upon the full use of the banking power of the country.	146
(a) Difficult to carry out a uniform policy, either of liberality or of curtailment.	
(b) The system is subject to the individual differences of management and of policy of 30,000 banks.	146
(c) Makes it impossible for full utilization of the resources of some banks in the locality to give relief where other banks in same locality are extended to limit of safety.	146
Do not recommend legislation permitting any general or universal system of branch banking in U.S.	146
Possibilities of credit control by large financial centers might constitute a menace.	146

A system of limited branch banking might furnish a possible solution.

Inauguration of such a system involves reconsideration of whole policy of independent banking.

Commission does not feel warranted in making a definite recommendation but suggests that appropriate committees of Congress consider it. 146

Further defects in our banking machinery:-

- (d) 20,000 banks, having from 35 to 40% of our banking resources, are not members. 146
- (e) These banks must rely on their correspondents in times of stress.
- (f) They contribute little to general reserves of the country. 146
- (g) If permitted to borrow, directly or indirectly, from Federal Reserve banks in times of stress they do so at expense of the reserves contributed by member banks. 146
- (h) These country banks are usually small and can not expand adequately in crises. 147
- (i) They are largely state banks, and have no access to Federal Reserve bank reservoir of credit. 147

Other defects;

- (j) Member banks can not furnish from 6 months to 3 years credits absolutely necessary to farmers for production purposes. 147
- Stock raisers require 3 year credits. 147
- Grain crops often require credit for longer than 1 year. 147
- e.g. winter wheat, if fertilizer is used.
- (k) Credit should be available on a maturity basis which will assure the farmer he will not be pressed for payment until his product is ready for market. 147

(1) Absolutely necessary to fill the gap between short time now furnished and long time credit only partially furnished by the national, state and commercial banking system and largely furnished by farm mortgage institutions and the Federal Farm Loan system. 147

In addition to being provided with cash for production and marketing of crops, credit must be furnished for fertilizer and other expenses incident to production. 147

Limitations of Farm Loan system. 148

Not intended to furnish funds for production and marketing.

Practically limited to long time loans of a more or less permanent nature, such as those specified in the Act.

Federal Reserve system established Federal Reserve banks as central reservoirs of commercial banking and Congress limited the rediscount powers to paper of relatively short maturity.

The 90 day limitation is generally sufficient to cover the needs of commerce and industry.

The 6 months limitation takes care of the short term borrowings of farmers for temporary purposes.

Loans covering the period of oota production and orderly marketing including breeding and fattening of live stock, requiring maturities of from 6 months to 3 years, are not eligible under Federal Reserve system. 148

Federal Reserve investments must be confined to those of a self-liquidating nature and of shorter maturities. 148

New Federal legislation is therefore necessary.

The possibility of renewals under Federal Reserve system is not sufficient. 149

Essentials of proposed legislation:-

1. Amend Farm Loan Act.

- (a) To permit Federal Land banks to rediscount agricultural paper having a maturity from 6 months to 3 years, for national banks, state banks and trust companies, savings institutions and incorporated live stock loan companies.
- (b) To permit Federal land banks to loan directly to cooperative associations of farmers organized under state laws, when secured by warehouse receipts covering staple agricultural products.
- (c) Permit Federal land banks to establish separate departments for purpose of issuing short time debentures having a maturity of not more than 3 years, secured by loans described above in (a) and (b). 149
- (d) Necessary capital for the separate departments to be furnished from the Federal Treasury. 149
- (e) The rates of interest under (a) and (b) and on the short time debentures need not necessarily coincide with the rates of interest on farm land mortgages and farm loan bonds covering these mortgages issued by Farm Land banks. 149
- (f) To permit Federal Reserve banks to purchase debentures issued under these proposed amendments under the same terms and conditions as now govern their purchase of farm loan bonds. 149
- (g) To permit Federal Reserve banks to rediscount for Federal land banks or joint stock land banks, with their indorsement, any loans made under (a) and (b) above when within a maturity of 6 months. 150

Farm land banks, not having large fixed capital, must obtain funds by sale of their bonds in the investment market, to provide capital for new loans. 150

Because of seasonal nature of agricultural requirements, it would not be practicable to require farm land banks to borrow by bond issues the amounts necessary to satisfy the peak of the farmers' demands. 150

Desirable, therefore, if not necessary, to enable them to rediscount with Federal Reserve banks their loans upon security of agricultural products, when within maturity of six months. 150

Not necessary to admit farm land banks into Federal Reserve system.

Because of their limited working capital, they should not be required to make any deposit with the Federal Reserve banks as a prerequisite to rediscounting loans as above referred to.

These recommendations will effectually bridge the present gap, without establishing new and untried machinery or sacrificing any of the fundamental principles upon which both the Farm Loan System and the Federal Reserve System must rest. 150

CHAPTER IX.

Statistical tables showing movement of money and credit. Table 47, page 154. Given a complete picture of movement. 151

CHAPTER X.

Minority opinion of Ogden L. Mills. 153

Concur in report, with one exception:-
 Can not agree with the statement that "a change in policy as to discount rates, late in the year 1920, would have accomplished a reversal in part of the psychological and economic factors which at this time were moving in the direction of lower prices."

This suggestion is:-
 (a) Out of harmony with the balance of the report.
 (b) Inconsistent with the facts brought out by our investigation.

Higher discount rates did not produce the break in prices.

Inconceivable that their reduction could have counteracted the economic forces leading to inevitable deflation. 158

1. Federal Reserve bank rates were below market rates throughout year 1920.
2. Only 9840 banks out of a total of 28,210 are members of Federal Reserve system.
 - (a) Many of those banks are to a great extent free from competition and charge rates fixed by local custom and local circumstances.
 - (b) Decrease of a Federal Reserve bank rate from 7 to 6% can have no effect on a western or south western bank charging 8, 10 or 12%.
 - (c) Federal Reserve discount rates can only be effective in restriction of loans and discounts of banks which are borrowing from the Federal Reserve banks. In Sept., 1920, in New York district, there were 454 non-borrowers against 323 borrowers.

3. Borrowings from Federal Reserve banks, May 4, 1920, to April 28, 1921.

Agricultural counties. Increased 56.6%
 Non- " " Decreased 28.5%

If statement I object to is true, a lower Federal Reserve discount rate would have maintained industrial prices to the further disadvantage of the farmer. 158

4. While it can not be conclusively proved that credit stringency was not an initial factor contributing to price deflation, there is no evidence to show it was. 158

Admits that once prices started to drop, credit stringency was the cause of much hardship and, in many cases, of increased losses.

Do not believe that increased Federal Reserve discount rates and contracting credit were the primary causes of the sharp price deflation of the 2nd half of 1920. 158

- (a) The price peak of all commodities was reach in May, 1920. 159

Loans of all reporting banks, and discounts of Federal Reserve banks continued to increase until Oct., 1920.

Federal Reserve note issues continued to increase until Jan., 1921.

Certain agricultural commodities reached their peak in 1919, and fell rapidly before any material increase in Federal Reserve bank rates, and before any credit stringency was felt.

e.g. - Hogs, bacon, cattle, dressed mutton and butter. 159

In all these instances, there was a direct relationship between the price peak and the export trade peak. 159

The hog export peak was in June, 1919, and the price peak in July, 1919.

The same as to bacon.

The cattle export peak was in August, 1919, and the price peak in November, 1919.

The cotton export peak was in April, 1920, and the price peak in the same month.

The total farm index peak was in March, 1920 and the price peak in April, 1920. 159

Many other instances showing relationship between production and consumption peak and the price peak.

No such relationship can be established between increased Federal Reserve bank discount rates and the drop in price of any single commodity. 159

(b) Agricultural prices broke more sharply than any other, and yet, from May 1920 to May 1921, the liquidation of loans in agricultural counties was relatively much less than in industrial counties.

(c) Interest rates are only a small percentage to total outlay, which is largely accounted for by cost of labor, cost of material, transportation and distribution. 159

(d) Price deflation was world wide. Crisis began in Japan in 1919.

Price level began to fall:-

Great Britain. April, 1920.

France and Italy. May, "

U. S., Germany, India and Canada. June, 1920.

Netherlands. August, 1920.

Australia. Sept., 1920.

159

Conclusion.

This minority opinion given because many believe that the increase in Federal Reserve bank rates was a primary cause of decline in prices in 2nd half of 1920, which so disastrously affected agricultural products.

Such an opinion inevitably leads to the conclusion that the Federal Reserve Board and Federal Reserve banks constitute an agency by means of which prices may be raised or lowered. This opinion is so contrary to economic facts and to the purposes of the Federal Reserve system, that it should not be permitted to pass unchallenged.

159

INQUIRY INTO THE
REPORT OF THE JOINT AGRICULTURAL COMMISSION
AS RELATES TO ITS CRITICISM OF
FEDERAL RESERVE POLICIES.

The criticisms of Federal Reserve policies are chiefly confined to two periods:-

1. Post war inflation. March 1919 - June 1920.
2. Deflation and liquidation. June 1920 - June 1921.

1.

First period.

Post war inflation. March 1919 - June 1920

Criticisms made by the Commission:

1. The low rate policy of the Federal Reserve Board and the Federal Reserve banks was unsound. Digest p. 11. Report p. 43
2. Discount rates should have been radically increased during the spring of 1919, to check speculation and inflation.
Digest p. 9. Report p. 15
" " 11. " " 43
3. Such radical increase in discount rates would have forced the member banks to apply the Government credit which was released in 1919, towards paying off their borrowings from the Federal Reserve banks, instead of using it to feed speculation. Digest p. 11. Report p. 43.
4. The application of such a "sound policy" would have made the subsequent liquidation less precipitous and would have mitigated the hardship on banks and individuals.
Digest p. 3. Report p. 12
" " 5 " " 13
" " 13 " " 45
5. The Federal Reserve Board should have insisted upon such a radical increase of discount rates, in spite of the fact that such action would have forced the Treasury to issue the Victory notes at higher rates, corresponding to the market value of money. Digest p. 12. Report p. 44.
6. The inflation caused by the low rate policy was measurably greater than would have followed a high rate policy. Digest p. 24. Report p. 81.

7. The low rate policy increased Government expenditures for principal and interest. Digest p. 24. Report p. 81.
8. The low rate policy depreciated the market value of the Liberty bonds causing loss to investors. Digest p. 24. Report p. 81.
9. The low rate policy increased the cost of the war. Digest p. 24. Report p. 81.
10. The low rate policy was contrary to the policy of the great financial centers of the world prior to the war, and, in some cases, during the war. Digest p. 25. Report p. 83.

II.

Answer to the above criticisms as shown by findings of the Commission.

1. The Commission finds that the whole question of Federal Reserve discount rates during this period hinged on whether the victory notes should be issued at a relatively low rate or at a higher rate approximating the market rate for money. Digest p. 23. Report p. 80.
2. The Commission admits that if the victory notes were to be issued at a relatively low rate the discount rates of the Federal Reserve banks must have been maintained at correspondingly low rates. Digest p. 25, Report p. 83.
3. The Commission finds that higher rates fixed in the approaching Victory notes:-
 1. Would increase interest rates generally throughout the United States. Digest p. 12. Report p. 44.
 2. Would depreciate the market value of all outstanding Liberty bonds. Digest p. 12. Report p. 44.
 3. Would force great liquidation in all securities. Digest p. 12. Report p. 44.
 4. Would depreciate the market value of securities held by savings banks, trust companies, insurance companies, etc. Digest p. 12. Report p. 44.
 5. Would give rise to a demand for refunding outstanding Liberty bonds which might have been irresistible. Digest p. 12. Report p. 45.
 6. Would result in a dislocation and embarrassment to industry growing out of the general increase in interest rates. Digest p. 24. Report p. 81.

Notwithstanding the above,

The Commission finds that higher rates in the Victory notes:-

1. Would encourage savings.
2. Would cause a transfer from non-essential and low rate investments to Government bonds.
3. Would absorb free capital.
4. Would discourage non-essential production
5. Would limit expansion and inflation
6. Would reduce consumption
7. Would retard the rise in prices
8. Would reduce the amount of money needed by the Government for the war, the higher interest rates being offset by the smaller amount needed.

Digest p. 23. Report pp. 80, 81.

The Commission further finds that the decisions which had to be made were difficult and important and that doubtless, in these circumstances, mistakes of judgment were made which the clearer judgment of retrospect would change.

Digest p. 9. Report p. 15.

III.

Deflation and liquidation period. June 1920 - June 1921.

Criticisms made by the Commission.

The Commission finds:-

1. The policy of the Federal Reserve Board was one of reduction or, at least, prevention of further expansion of loans and discounts of member banks.
Digest p. 16. Report p. 52.
2. That, although admittedly exercised with a view to preserve the integrity of the banking system and to prevent financial panic, it is probable that the pressure was excessive.
Digest p. 16. Report p. 52.
3. That this pressure was exerted in the only way it could be exerted, viz., in refusing loans to member banks in individual cases and by the pressure of discount rates on borrowing member banks. Digest p. 17. Report p. 53.

4. That there were cases where such pressure resulted in hardship on member banks and their customers.
Digest p. 17. Report 53.
5. That the action of the Federal Reserve Board in wiping out the differential rates on Government paper was sound in theory and in line with central banking practice, but that its application penalized member banks which were borrowing on their own Government securities or were loaning at low rates on customers notes secured by Government bonds.
Digest p. 15. Report p. 48.
6. That this action forced member banks to liquidate their holdings of Government bonds and depressed the market value of Government bonds.
Digest p. 15. Report p. 48
7. That the Federal Reserve Board, on the assumption that a decline in prices was inevitable in 1920, should have taken some action to bring debts to be paid into closer relation with the goods with which only the debts could be paid.
Digest p. 16. Report p. 51
See - Digest p. 8, 24 A. " " 13
8. That the drop in prices introduced into the public the psychology of fear and made the banks ignore the banking maxim that, in times of stress, credit should be granted freely though at a higher rate, and make them exert pressure for liquidation.
Digest p. 28, Report p. 86.
9. That a change in Federal Reserve policy would probably have reversed in part this psychological factor.
Digest p. 28. Report p. 86.
10. That notwithstanding the apprehensions of the Federal Reserve Board and Federal Reserve banks that a change in policy, - resulting in a general invitation to member banks to increase their loans, - might result in bank failures, the Commission is of the opinion that:

A more liberal policy could have been adopted.
That such a policy would have served to arrest in part the tide of deflation and to reduce the hardships and losses incident thereto.
Digest p. 30. Report p. 88.
11. That it is evident that the application of the policy in rural sections resulted in great hardships and distress and contributed to some results economically undesirable, - whatever may be said otherwise in support of the policy from the standpoint of its wisdom and necessity, and in the light of the psychological and economic factors which it was necessary to consider. Digest p. 30. Report p. 88.

- 11 A. The pressure of liquidation in agricultural sections was shown by a greater relative decline in deposits than in semi-agricultural and industrial sections. Digest p. 7. Report p. 15.
12. That the hardship on rural sections was due largely to:-
 Excessive cost of producing the 1920 crop.
 Slower turnover for farmers.
 Pressure for liquidation forced sale of immature cattle and calves, which will produce a shortage of meat supply.
 Sales were forced when borrower should have been carried. Digest p. 30. Report p. 88.
 Prices of what he had to sell declined faster than those he had to buy. Digest p. 30. Report p. 89.
13. That progressive rates resulted, in many instances, in unconscionable rates upon the borrowings, or some portion thereof, of member banks in excess of their basic lines. Digest p. 21. Report p. 62.
14. Penalized banks which were making the greatest effort to serve their customers. Digest p. 21. Report p. 62.
15. The application of such a uniform and arbitrary rule to all banks, without regard to peculiar circumstances, can not be justified from the standpoint of sound banking, nor from the consideration to which the public is entitled from banks * * * exercising public functions. Digest p. 21. Report p. 62.

IV.

Answer to above as shown by findings of the Commission.

1. The increased discount rates and subsequent tight money operated as a dike to keep goods, - which were backed up in the channels of distribution from the farmer to the consumer, - flowing in the channels of trade, notwithstanding the obstacles of declining prices and slackening demand. Digest p. 13. Report p. 45.
 See infra- Digest pp. 8, 24 A. " " 13
2. The causes of the headlong fall in prices were:-
 Cancelled orders. Digest p. 14. Report p. 46.
 Public fright. Digest p. 14. Report p. 46.
 " " 27. " pp. 85, 86.

- | | | |
|---------------------------------|---------------|--------------|
| Preceding exhaustion of credit. | Digest p. 14. | Report p. 46 |
| Falling off in exports. | " " 27. | " pp. 85, 86 |
| " " " speculative demand. | " " 27. | " " 85, 86. |
| " " " domestic consumption. | " " 27. | " " 85, 86. |
3. The expansion of loans during the inflation period was relatively greater in the rural districts than in the industrial sections.
Digest p. 33. Report p. 117
" " 34. " " 120.
 4. The policy of the Federal Reserve Board and Federal Reserve banks during the deflation period did not produce a greater curtailment of loans in the rural districts than in the financial and industrial sections.
Digest p. 33. Report p. 117.
 5. The rediscounts by Federal Reserve banks of agricultural and live stock paper was relatively greater than the rediscounts of all other paper.
Digest p. 34. Report p. 120.
 6. The liquidation of agricultural and live stock paper was relatively less than the liquidation of all other discounts.
Digest p. 34. Report p. 120.
 - 6 A. In fact, but little actual liquidation of loans and discounts had taken place in the agricultural sections of the country as a whole up to May 1921. Certain exceptions noted.
Digest p. 6. Report p. 14.
 7. The Federal Reserve Board was in a very delicate position.
Its duty was:-
To provide for essential credits
To limit non-essential and speculative credits.
To prevent banks overextending.
Digest p. 16. Report p. 51
The balance between these was extremely delicate.
Digest p. 16. Report p. 51.
 8. The Commission, - while of the opinion that it is probable that the Federal Reserve Board and some of the Federal Reserve banks imposed excessive pressure towards reduction or prevention of expansion of loans, - states specifically that the alternative of its policy, - the extension of all credit desired for any purpose, - would have involved the following dangers:-
A large number of bank failures.
An undue reduction of reserves
Excessive currency issues resulting in depreciation
Loss of confidence in the banking system
Runs on banks
Demand for redemption of Federal Reserve notes in gold.
Digest p. 17. Report p. 52

9. The Commission specifically finds that
Before the application of progressive rates the Federal Reserve Bank of Kansas City's resources were largely absorbed by a relatively small number of banks in Kansas City and Omaha, which, in April 1920, were absorbing 73% of the normal lending power of the Federal Reserve bank.
Digest p. 19. Report p. 56.
10. The progressive rates reduced these borrowings largely thus increasing the funds of the Federal Reserve bank available for other banks borrowing moderately or not at all.
Digest p. 19. Report p. 56.
11. The chart shows that the progressive rates permitted an increase in the borrowings of country banks.
Digest p. 20. Report p. 58.
12. The borrowings of the Kansas City and Omaha banks were transferred to the country banks.
Digest p. 20. Report p. 58.
13. The average rate, normal and progressive, paid by all banks in the district was 6.61%.
Digest p. 21. Report p. 62.
14. The average rate paid by all banks borrowing at progressive rates was 6.76%.
Digest p. 21. Report p. 62.
15. The total interest paid by all banks in Kansas City was \$325,904.78 less than would have been paid had the rate been a flat 7% rate.
Digest p. 21. Report p. 62.
16. The progressive rate did not cause any increase in customers rates; whether the loaning banks were borrowing at normal rates, progressive rates, or were not borrowing at all, the customers rate was the same.
Digest p. 21. Report p. 62.
17. Progressive rates did not control either the amount of deflation or the rate of deflation.
Digest p. 22. Report p. 68.
18. The reduction of loans and discounts, under progressive rates, was relatively less in country banks than in city banks.
Digest p. 22. Report p. 68.
19. The expansion of loans during inflation period was relatively greater in the rural than in industrial districts.
Digest p. 33. Report p. 117
" " 34. " " 120.
20. The policy of the Federal Reserve Board and Federal Reserve banks during the deflation period did not produce a greater curtailment of loans in the rural than in the industrial sections.
Digest p. 33. Report p. 117.

21. The rediscounts by the Federal Reserve banks of agricultural and live stock paper were relatively greater than the rediscounts of all other paper. Digest p. 34. Report p. 120
22. The liquidation of agricultural and live stock paper was relatively less than the liquidation of all other discounts. Digest p. 34. Report p. 120
" " 6 " " 14.
23. If a more liberal policy had been adopted by the Federal Reserve Board and as a result the prices of what the farmer had to buy were stabilized more than the prices of what he had to sell, his condition would have been worse than before. Digest p. 31. Report p. 89.
24. In the spring of 1920 * * * the stream of production flowing from the farmer to the consumer began to back up in the channels of distribution, although higher discount rates and tight money, like dikes erected along the banks of the stream, served as influences to keep goods flowing in the channels of trade, notwithstanding the obstacles of declining prices and slackening demand. Digest p. 13. Report p. 45.
- 24 A. It was necessary, by a high level of discount rates, to keep these credit requirements in such a relation to the prices of goods that bank failures would not result and a financial crash increase the inevitable industrial depression resulting from declining prices. Digest p. 5. Report p. 13
25. Credit was not absorbed by financial centers at the expense of rural communities for purpose of speculative activities. Digest p. 33. Report p. 117.
26. The policy of the Federal Reserve banks reflected the necessity for control, restraint, and restriction. Digest p. 17. Report p. 54.
27. The Commission finds, however, that the Federal Reserve Board and the Federal Reserve banks could not apply their policy uniformly because conditions were not uniform.
28. That it could not control the loan policies of the 20,000 banks which were not members, - representing from 25 to 40% of the banking resources of the country. Digest p. 17. Report p. 53.
29. That it could limit loans only to member banks which were borrowing or threatening to borrow excessively. Digest p. 17. Report p. 54.

30. The Commission finds that a change in policy, to be effective, must necessarily mean a further extension of loans.
Digest p. 28. Report p. 86
31. That such further extension must depend on the available supply of funds.
Digest p. 28. Report p. 86.
32. That when banks increase loans and discounts during a time of falling prices, the credit strain increases, as also the danger of bank failures.
Digest p. 30. Report p. 88.
33. That 1/3 of the banks were greatly over extended.
Digest p. 28. Report p. 87.
34. That the Federal Reserve Board and Federal Reserve banks felt that due regard must be had to the possible results of a change in policy.
Digest p. 30. Report p. 88.
35. That they felt that a general invitation to member banks to increase loans, - through the effect of lower discount rates, - might result in bank failures.
Digest p. 30. Report p. 88.
36. That suspension of the reserve requirements would have afforded no remedy, for the tax imposed by the Federal Reserve Act must be added to the discount rate, and while such suspension would tend to increase loans, the tax would operate in the same measure to restrict loans.
Digest p. 31. Report p. 90.
37. That the remedy for overextended banks should be an increase of capital.
Digest p. 29. Report p. 87.
38. That it is clear that in many cases, inadequacy of capital, and not insufficiency of bank credit was a factor restraining and limiting credit during this period.
Digest p. 29. Report p. 88.

FEDERAL RESERVE BOARD

WASHINGTON

203

X-3333

February 18, 1922.

SUBJECT: Monthly Reports of Clearing Operations and of
Member and Non-member Banks in District,
Forms 170 and 170-a.

Dear Sir:

The Board has experienced considerable difficulty in obtaining reports relating to clearing operations from some of the Federal Reserve Banks in time to have them tabulated and sent to the printer with the manuscripts for the monthly Federal Reserve Bulletins, thus necessitating considerable changes in the galley, and sometimes in the page proof. It has been decided, therefore, to show figures of clearing operations by calendar months in the future.

Accordingly, it is requested that reports be furnished on forms 170 and 170-a for the period from February 1 to February 28, inclusive, in addition to reports for the period from January 16 to February 15, and that subsequent reports be made for calendar months. It will also be appreciated if you will furnish us with reports on the above forms for the month of January 1922, in order that figures by calendar months may be available for the entire year.

Very truly yours,

G o v e r n o r .

TO ALL FEDERAL RESERVE AGENTS.

A BILL.

A BILL to be entitled AN ACT to require all banks and banking institutions incorporated under and by virtue of the laws of Georgia to become members of the Federal Reserve Bank; to provide for a forfeiture of charter and liquidation of assets for the failure or refusal to comply with the terms of this ACT; to provide when this Act shall be of force and effect, and for other purposes.

Section 1.

Be it enacted by the General Assembly of Georgia, and it is hereby enacted by the authority of the same, that all banks and banking institutions incorporated under and by virtue of the laws of Georgia are hereby required to become members of the Federal Reserve Bank as provided under the laws of the Congress of the United States.

Section 2.

Be it further enacted by the authority aforesaid, that any and all banks and banking institutions failing and refusing to become members of the Federal Reserve Bank shall forfeit its charter, and the Superintendent of Banks in the State of Georgia is hereby directed and authorized to take charge of the assets of such bank, close up the same and liquidate the assets of the same.

Section 3.

Be it further enacted by the authority aforesaid, that this ACT shall take effect and be of full force on and after January 1st, 1924.

Section 4.

Be it further enacted by the authority aforesaid, that all laws and parts of laws in conflict with this ACT be and the same are hereby repealed.

FEDERAL RESERVE BOARD

WASHINGTON

February 18, 1922.

X-3335

SUBJECT: Annual Election of Officers and Approval of Salaries
by Federal Reserve Board.

Dear Sir:

Some of the Federal Reserve Banks have apparently overlooked the Board's instructions of December 23, 1915 and January 6, 1916, regarding the annual election by the directors of all officers and the approval of their salaries annually by the Federal Reserve Board. The Board understands that all officers are annually elected by the Board of Directors, but in some cases salaries have not been submitted for the Board's approval, upon the theory, the Board assumes, that it is not necessary to do so in cases where no changes have been made in the salaries.

I enclose copies of the Board's letters above referred to and would state that the Board desires to have submitted to it for approval all salaries voted by the Board of Directors to officers for the year 1922.

Very truly yours,

G o v e r n o r .

Enclosures:

X-3335a & 487.

TO CHAIRMEN OF ALL F.R. BANKS

C O P Y

December 23, 1915.
X-3335a

S I R:

The question has been brought before the Federal Reserve Board from various sources whether the officers and employees of Federal Reserve Banks are to have a definite tenure of office, or are to hold office subject to the pleasure of their boards of directors. Investigation shows that there is a lack of uniformity in the by-laws of the several banks on this subject, and that no definite action has thus far been taken as regards the Board's own relation to the matter.

I am, therefore, instructed to advise you that the Federal Reserve Board has determined to ask the several banks to submit to it each and every year, as of January 1, their lists of officers and employees, with salaries for approval, such action to be a matter of regular routine, involving a preceding annual action on the part of each board of directors in electing or re-electing officers and employees for another year. It is also suggested that (in the course of each such year) the officers and employees of each bank shall be considered to hold their appointments for the calendar year and subject to the pleasure of the boards of directors of such bank.

Respectfully,

(Signed) H. Parker Willis,

Secretary.

January 6, 1916.

S i r :

Your letter of January third was submitted to the Board, and I am directed to say to you that the Board is in accord with the views expressed therein.

As you stated, the real point is that the list of all salaries should be submitted to the Board once a year for its approval, and the month of January would seem to be the natural time for such approval as that is the usual month when changes in salaries are made.

The Board does not wish to convey the idea that it desires that all clerks should have definite terms of office. These appointments may be for an indefinite term provided they are terminable at the pleasure of the Board of Directors of the Bank. While the general custom is that clerks are appointed by the officers of the bank, the officers, senior and junior, as a rule, are appointed or elected by the Board of Directors of the Bank, generally to serve for the ensuing year. It would appear, therefore, that this general practice ought to be observed also by the Federal Reserve banks and senior and junior officers ought to be appointed from year to year and their salaries, as all others, should be subject to annual approval by the Federal Reserve Board.

Very truly yours,

H. PARKER WILLIS,

Secretary.

FEDERAL ADVISORY COUNCIL

1922

X-3336

Officers:-

L. L. Rue, President
P. M. Warburg, Vice President
H. L. Hilyard, Secretary

Executive Committees:-

L. L. Rue
P. M. Warburg
Philip Stockton
J. J. Mitchell
F. O. Watts
E. F. Swinney

M E M B E R S

<u>District</u>		<u>Representative</u>	
No. 1	Philip Stockton	President	Old Colony Tr. Co. Boston, Mass.
No. 2	Paul M. Warburg		31 Pine Street New York, N. Y.
No. 3	L. L. Rue	President	The Phila. Nat. Bk. 421 Chestnut St., Philadelphia, Pa.
No. 4	C. E. Sullivan	President	Central Nat. Bank, Savings & Trust Co., Cleveland, Ohio.
No. 5	J. G. Brown	President	Citizens Natl. Bk., Raleigh, N. C.
No. 6	E. W. Lane	President	Atlantic Natl. Bk., Jacksonville, Fla.
No. 7	J. J. Mitchell	Chairman of the Board	Illinois Trust and Savings Bank, Chicago, Ill.
No. 8	F. O. Watts	President	First Nat. Bank, St. Louis, Mo.
No. 9	G. H. Prince	Chairman of the Board	Merchants Nat. Bk., St. Paul, Minn.
No. 10	E. F. Swinney	President	First Nat. Bank, Kansas City, Mo.
No. 11	R. L. Ball	Chairman of the Board	Nat. Bk. of Commerce San Antonio, Texas.
No. 12	D. W. Twohy	Chairman of the Board	Old National Bank, Spokane, Wash.

Address of H. L. Hilyard, Secretary, 421 Chestnut Street, Philadelphia, Pa.

FEDERAL RESERVE BOARD

WASHINGTON

February 21, 1922.

X-3337

SUBJECT: Wire Transfers of Funds.

Dear Sir:

Upon recommendation of the Federal Reserve Leased Wire Committee, the Federal Reserve Board has adopted the following rules and regulations for the guidance of the Federal Reserve Banks;

1. Telegraphic transfers should be accepted from and paid to member banks only. (However, as some of the Federal Reserve Banks are under obligations to accept telegraphic transfers from their non-member clearing banks, they may for the present continue to make such transfers.)
2. The descriptive data in telegrams transferring funds should be limited to name of the sending member bank; name of its customer requesting transfer, if shown, name of member bank receiving credit, and name of other beneficiary, if stated, for whose account credit is given.
3. Descriptive data in wire advice of payment or non-payment of collection items forwarded between Federal Reserve Banks should be confined to the collection number, name of payer or place of payment, and amount.
4. In addition to the usual mail advice to payee banks of telegraphic transfers credited to their account, immediate advice by telephone or telegraph should be given by the Federal Reserve Bank receiving the transfer, except in cases where credited bank has stated that wire advice is unnecessary or where the nature of the transaction or the amount involved indicates that the additional expense is not justified.
5. Telegraphic transfers for consummation on date of receipt should not be accepted by Federal Reserve Banks later than thirty (30) minutes prior to the closing hour of the Federal Reserve Bank to which transfer is made. Any transfers requested after that hour may be made at the discretion of the Federal Reserve Bank receiving credit.
6. Any loss resulting from negligence on the part of the Federal Reserve System in the transmission of telegrams over leased wires through relay stations should be borne by the sending Federal Reserve Bank, unless responsibility can be definitely fixed upon the Federal Reserve Bank to which the transfer is made.

7. The code should be used in connection with all messages involving the transfer and payment of funds, and, in the interest of economy, all other telegrams should be coded where the use of the code will appreciably shorten the message.
8. Telegrams should be worded as concisely as possible, and all unnecessary telegraphing eliminated. To enforce this each bank should adopt some plan whereby any misuse of the leased wires will be brought to the attention of an officer whose duty it will be to communicate with the originating department, or, in the case of incoming wires, with the sending office.
9. Leased wires should not be used in tracing collection items forwarded by a member bank in one district direct to a Federal Reserve Bank of another district, proceeds of which are to be credited to the Federal Reserve Bank of the district in which the endorsing bank is located.

While the above rules and regulations are intended as a guide to the Federal Reserve Banks themselves, the following clauses are recommended for uniform use by all Federal Reserve Banks in a circular to member banks relating to wire transfer of funds;

1. "The Federal Reserve Bank of _____ will use due care and diligence in the transfer of funds to the receiving Federal Reserve Bank for credit to the account of, or payment to, the payee bank, but will not be responsible for errors or delays in the transfer of such funds caused by circumstances beyond its control."
2. "Telegraphic transfers will be accepted from and paid to member banks only."
3. "In order that important messages may not be delayed, member banks are asked to co-operate with us by not making request for telegraphic transfers for small amounts, or those which can be made as well through the mails."

In addition a schedule should be included showing the closing time for receiving requests for transfers to be made to other Federal Reserve Banks.

Very truly yours,

G o v e r n o r .

TO THE GOVERNORS OF ALL FEDERAL RESERVE BANKS.

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FEDERAL RESERVE BOARD
WASHINGTON

X-3339
February 23, 1922.

SUBJECT: Expense Main Line, Leased Wire System, January, 1922.

Dear Sir:

Enclosed herewith you will find two mimeograph statements, X-3339a and X-3339b, covering in detail operations of the main line, Leased Wire System, during the month of January, 1922.

Please credit the amount payable by your bank in the general account, Treasurer U. S., on your books, and issue C/D Form 1, National Banks, for account of "Salaries and Expenses, Federal Reserve Board, Special Fund", Leased Wire System, sending duplicate C/D to Federal Reserve Board.

Very truly yours,

Fiscal Agent.

Enclosures.

TO GOVERNORS OF ALL BANKS EXCEPT CHICAGO.

REPORT SHOWING CLASSIFICATION AND NUMBER OF WORDS
TRANSMITTED OVER MAIN LINE OF THE FEDERAL RESERVE
LEASED WIRE SYSTEM FOR THE MONTH OF JANUARY, 1922.

From	Bank Business	Per cent of Total Bank Business(*)	Treasury Dept. Business	War Finance Corp. Business	Total
Boston	40,101	3.61	4,654	141	44,896
New York	173,125	15.58	10,443	190	183,758
Philadelphia	54,876	4.94	5,358	-	60,234
Cleveland	83,031	7.47	6,888	474	90,393
Richmond	79,050	7.12	4,874	7,935	91,859
Atlanta	81,845	7.37	7,174	4,896	93,915
Chicago	137,130	12.34	7,013	-	144,143
St. Louis	79,278	7.14	7,654	943	87,875
Minneapolis	44,560	4.01	4,029	19,364	67,953
Kansas City	91,583	8.24	6,415	23,671	121,669
Dallas	79,059	7.12	3,312	1,007	83,878
San Francisco	<u>167,294</u>	<u>15.06</u>	<u>12,594</u>	<u>8,868</u>	<u>188,756</u>
Total F. R. Banks	1,110,932		80,908	67,489	1,259,329
Washington	<u>253,741</u>	<u>100.00</u>	<u>105,483</u>	<u>9,063</u>	<u>368,287</u>
Grand Total	1,364,673		186,391	76,552	1,627,616
Per cent of Total	83.85%		11.45%	4.70%	
Bank Business	1,364,673 words	or 87.98%			
Treasury Business	<u>186,391</u> "	"	<u>12.02</u>		
TOTAL	1,551,064		100.00%		

FEDERAL RESERVE BOARD
WASHINGTON, D. C.
FEBRUARY 23, 1922.

REPORT OF EXPENSE
MAIN LINE
FEDERAL RESERVE LEASED WIRE SYSTEM JANUARY, 1922.

X-3339b

Name of Bank	Operators' Salaries	Operators' Overtime	Extra Compensation	Wire Rental	Total Expense	Pro rata Share of Total Expense	Credits	Payable to Federal Reserve Board
Boston	\$ 250.00	\$ -	\$ 115.00	\$ -	\$ 365.00	\$ 748.18	\$ 365.00	\$ 383.18
New York	789.98	-	-	-	789.98	3,228.97	789.98	2,438.99
Philadelphia	225.00	-	-	-	225.00	1,023.82	225.00	798.82
Cleveland	524.00	-	-	-	524.00	1,548.17	524.00	1,024.17
Richmond	300.00	-	-	-	300.00	1,475.63	300.00	1,175.63
Atlanta	240.00	-	-	-	240.00	1,527.44	240.00	1,287.44
Chicago (#)	5,015.31	12.00	-	-	5,027.31	2,557.48	5,027.31 (**)	2,469.83
St. Louis	300.00	-	288.00	-	588.00	1,479.77	588.00	891.77
Minneapolis	275.00	-	-	-	275.00	831.08	275.00	556.08
Kansas City	326.66	1.50	-	-	328.16	1,707.75	328.16	1,379.59
Dallas	170.00	-	-	-	170.00	1,475.63	170.00	1,305.63
San Francisco	395.00	-	-	-	395.00	3,121.20	395.00	2,726.20
Fed. Res. Board				16,066.07	16,066.07			

Total	\$8,810.95	\$ 13.50	\$403.00	\$16,066.07	\$25,293.52	\$20,725.12	\$9,227.45	\$13,967.50
					(a) 4,568.40			(&) 2,469.83
					20,725.12			\$11,497.67

(#) Includes salaries Washington Operators

(&) Amount reimbursable to Chicago

(**) Credit.

(a) Includes \$2, 546.58 received from Treasury Dept. and \$2, 010.29 from War Finance Corporation covering business for months of Aug. and Dec., 1921, respectively; also \$11.53 received from lessor account of interruption in service during Dec.

FEDERAL RESERVE BOARD

WASHINGTON, D. C.

FEBRUARY 23, 1922.

FEDERAL RESERVE BOARD
GOLD SETTLEMENT FUND

X-3340
Washington, D. C.
February 24, 1922.

Summary of transactions for period ending February 23, 1922.

(CONFIDENTIAL)

Federal Reserve Bank of	Balance last statement Feb. 16, 1922.	Gold Withdrawals	Gold Deposits	Aggregate withdrawals and transfers to Agent's fund	Aggregate deposits and transfers from Agent's fund	TRANSFERS	
						Debits	Credits
Boston	\$ 27,522,105.06	\$ 722,340.00	\$ -	\$ 722,340.00	\$ -	\$ -	\$ -
New York	102,629,260.79	1,797,722.50	79,000.00	31,797,722.50	79,000.00	20,000,000.00	-
Philadelphia	48,075,336.44	882,800.00	1,000,000.00	882,800.00	1,000,000.00	-	1,000,000.00
Cleveland	51,067,225.89	1,460,198.36	1,000,000.00	1,460,198.36	1,000,000.00	-	2,000,000.00
Richmond	31,081,882.75	941,993.11	1,000,000.00	941,993.11	1,000,000.00	-	1,000,000.00
Atlanta	29,531,220.56	920,928.12	19,927.61	7,920,928.12	19,927.61	-	-
Chicago	105,141,860.38	1,666,154.62	-	1,666,154.62	-	-	2,000,000.00
St. Louis	20,974,914.26	720,786.57	2,003,100.00	720,786.57	2,003,100.00	-	6,000,000.00
Minneapolis	30,919,506.30	626,355.76	600.00	626,355.76	600.00	-	-
Kansas City	41,073,203.38	877,557.32	7,002,400.00	877,557.32	7,002,400.00	-	8,000,000.00
Dallas	17,430,380.74	1,130,812.65	1,000,000.00	1,130,812.65	1,000,000.00	-	-
San Francisco	41,265,470.24	1,122,565.00	7,000,000.00	1,122,565.00	8,204,500.00	-	-
Total	\$ 546,712,366.79	\$ 12,870,214.01	\$ 20,105,027.61	\$ 49,870,214.01	\$ 21,309,527.61	\$ 20,000,000.00	\$ 20,000,000.00

Federal Reserve Bank of	Settlements from February 17, 1922 to February 23, 1922 inclusive.				Balance in fund at close of business Feb. 23, 1922.	Summary of changes in ownership of gold by banks through transfers and settlements.	
	Net Debits	Total Debits	Total Credits	Net Credits		Decrease	Increase
Boston	\$ 546,924.98	\$ 89,986,123.51	\$ 89,439,198.53	\$ -	\$ 26,252,840.08	\$ 546,924.98	\$ -
New York	-	330,080,177.72	356,578,829.61	26,498,651.89	77,409,190.18	-	6,498,651.89
Philadelphia	-	111,366,264.44	119,064,566.92	7,698,302.48	56,890,838.92	-	8,698,302.48
Cleveland	13,168,608.42	102,733,068.08	89,564,459.66	-	39,438,419.11	11,168,608.42	-
Richmond	320,322.44	105,622,291.20	105,301,968.76	-	31,819,567.20	-	679,677.56
Atlanta	-	38,429,963.94	44,849,236.59	6,419,272.65	28,049,492.70	-	6,419,272.65
Chicago	3,918,942.58	184,839,704.66	180,920,762.08	-	101,556,763.18	1,918,942.58	-
St. Louis	7,529,689.74	90,593,851.94	83,064,162.20	-	20,727,537.95	1,529,689.74	-
Minneapolis	-	22,807,583.31	24,874,085.69	2,066,502.38	32,360,252.92	-	2,066,502.38
Kansas City	7,688,471.42	73,671,233.01	65,982,761.59	-	47,509,574.64	-	311,528.58
Dallas	-	38,924,279.75	40,173,728.93	1,249,449.18	18,549,017.27	-	1,249,449.18
San Francisco	10,759,219.00	48,741,806.30	37,982,587.30	-	37,588,186.24	10,759,219.00	-
Total	\$ 43,932,178.58	\$ 1,237,796,347.86	\$ 1,237,796,347.86	\$ 43,932,178.58	\$ 518,151,680.39	\$ 25,923,384.72	\$ 25,923,384.72

FEDERAL RESERVE AGENTS' FUND

X-3340a
Washington, D. C.
February 24, 1922.

Summary of transactions for period ending February 23, 1922.

(CONFIDENTIAL)

Federal Reserve Agent at	Balance last statement Feb. 16, 1922.	Gold Withdrawals	Gold Deposits	Withdrawals for transfers to bank	Deposits through transfers from bank	Total Withdrawals	Total Deposits	Balance at close of business Feb. 23, 1922.
Boston	\$ 100,000,000	\$ -	\$ 10,000,000	\$ -	\$ -	\$ -	\$ 10,000,000	\$ 110,000,000
New York	381,000,000	-	-	-	30,000,000	-	30,000,000	411,000,000
Philadelphia	125,389,260	5,000,000	-	-	-	5,000,000	-	120,389,260
Cleveland	160,000,000	-	-	-	-	-	-	160,000,000
Richmond	25,295,000	3,000,000	-	-	-	3,000,000	-	22,295,000
Atlanta	58,500,000	-	1,000,000	-	7,000,000	-	8,000,000	66,500,000
Chicago	310,644,500	5,000,000	10,000,000	-	-	5,000,000	10,000,000	315,644,500
St. Louis	65,300,000	-	1,000,000	-	-	-	1,000,000	66,300,000
Minneapolis	8,200,000	-	-	-	-	-	-	8,200,000
Kansas City	28,360,000	-	-	-	-	-	-	28,360,000
Dallas	1,484,000	-	-	-	-	-	-	1,484,000
San Francisco	201,825,000	-	-	1,204,500	-	1,204,500	-	200,620,500
Total	\$ 1,465,997,760	\$ 13,000,000	\$ 22,000,000	\$ 1,204,500	\$ 37,000,000	\$ 14,204,500	\$ 59,000,000	\$ 1,510,793,260

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FEDERAL RESERVE BOARD

STATEMENT FOR THE PRESS

X-3341

For release in Morning Papers,
Friday, March 3, 1922.

The following is a review of general business and financial conditions throughout the several Federal Reserve Districts during the month of February, as contained in the forthcoming issue of the Federal Reserve Bulletin.

During the past month improvement of conditions in several basic industries has furnished a more hopeful prospect for the trade of the coming months. This better outlook has in some measure been offset by labor and other difficulties in the textile industry which have resulted in reduced activity in that branch of business. Fluctuations in the price of raw materials have subjected the textile trade to still further difficulty, while in that industry, as well as in others, the lack of forward orders has made it difficult to plan policies far in advance. Fairly good conditions are reported in the shoe and leather industry, although improvement has been largely confined to New England. In iron and steel varying opinions exist as to the situation and outlook. It is to be noted, however, that there has been distinct increase in the activity of the plants of the United States Steel Corporation as well as some increase in the activity of independent mills. Iron

and steel prices have, however, tended to decline, or at best to hold their own, rather than to advance. In the chemical industry business activity has been given a severe setback as a result of uncertainty as to the future. In the nonferrous metals, especially copper, there has been a distinct increase in production with the reopening of mines which have been shut down for a long time past.

The net outcome of these changes has been to diminish the irregularity and unevenness noted in the movement of industry during 1921. Textiles and allied lines which have been far in advance of others are losing their relative momentum. The evening tendency thus evidenced by current readjustments is reflected in the fact that the Board's price index remains unchanged at 138. The significance of this apparent stability of the price situation is not disclosed until account is taken of the fact that there have been noteworthy advances in prices of many agricultural products during the month. The effect of these advances would have been to raise the general price index had they not been offset by corresponding declines in other lines of industry. The readjustment process, it would appear, has now definitely reached the stage of inter-industrial price revision. The advance in value of agricultural products has tended to create conditions materially facilitating both the liquidation of loans at banks and the rapidity of movement of products to market. The more satisfactory marketing and price conditions have not only extended to grain, but have also included tobacco and other products. Early crop reports from the southwestern grain regions have not been altogether reassuring.

The long continued slackness of employment and past uncertainty as to agricultural prices have produced an effect upon trade activity, with the result that both wholesale and retail trade indexes are disposed to show recession of buying in most parts of the country save for seasonal activity in special lines, such as dry goods. Although betterment of retail demand has been reported in the farming districts, the effect of higher agricultural prices has not yet brought about any considerable modification of conditions. It should, however, be remembered in this connection, that the farmer had already largely disposed of his last year's crop.

The volume of employment (another important factor in influencing demand for goods) shows but little modification, although figures reported by the United States Employment Service indicate a slight advance. This condition, however, holds good chiefly in the population centers. Strikes in the textile region of New England as well as labor troubles elsewhere have during the latter part of the month of February tended to aggravate the unemployment situation.

Continued improvement is noted in building operations. As compared with last year the volume of building is very much larger, January permits being more than double what they were a year ago. This is resulting in some increase in demand for steel and iron products as well as for other materials. It has also increased the demand for labor in parts of the country where the surplus of unemployed would otherwise have been more considerable.

Financially the month has shown continued reductions in the volume of credit required by the community. Portfolios both of reserve and member banks show still further reduction, while interest rates have remained fairly stable at the levels already reached. Foreign exchange has shown a decidedly stronger tendency, the highest levels for a long time past having been reached in sterling, francs, and some other European currencies. Business failures are on a materially higher level than in 1921, while the month of February, as previously predicted by commercial agencies, also shows an increase in commercial failures as contrasted with January.

AGRICULTURE. The condition of winter wheat has shown some improvement recently, as a result of snows and rains in the latter part of January and the early part of February. District No. 10 (Kansas City) states that the Kansas wheat crop, except in the eastern half of the state, is in poorer condition than has been reported at this season in many years. Drought still prevails in large sections of Oklahoma and Colorado, but the deterioration of wheat in Nebraska has been checked by recent snows. Weather was favorable for the wheat crop in Districts No. 7 (Chicago) and No. 8 (St. Louis) up to the middle of February. In District No. 11 (Dallas) February rains have benefited crops, but the Texas wheat crop is reported to be far below normal. Vegetable and truck crops of the Gulf Coast and the Rio Grande Valley have so far escaped damage from killing freezes and generally promise fair yields. District No. 8 (St. Louis) reports that stocks of corn on the farms are unusually large for this season, and that much corn is being fed to cattle and hogs.

COTTON. The price of middling-upland cotton at New Orleans the third week of February, was 16.75 cents, the same as the January average. In District No. 11 (Dallas) cold, rainy weather has temporarily halted the preparation of soil for the new crop, but has been very beneficial in furnishing an abundant supply of subsoil moisture. Although freezing temperatures have frequently occurred in the northern part of the District, it is feared that the cold waves have not been sufficiently severe to insure wide-spread destruction of boll weevils. Heavy reduction in Texas wheat acreage may result in an increased planting of cotton. District No. 8 (St. Louis) reports that demand for cotton is quiet, while District No. 5 (Richmond) states that farmers continue to hold a substantial portion of the last crop on farms or in bonded warehouses. Exports of raw cotton from the United States amounted to 475,910 bales in January, as compared with 539,825 bales in December.

TOBACCO. Sales of leaf tobacco on the markets of Virginia and North Carolina have been limited. Most of the markets in the bright belt closed during February, and the dark markets expect to close during March. In spite of the large amount of low grade tobacco coming on the market as farmers clean their barns, prices have been well sustained. The Growers Cooperative Association has commenced operations in the burley district, making advances to growers as tobacco is delivered to it. Several large sales at quite satisfactory prices are reported by it. In the western dark district, the greater portion of the tobacco has been delivered at very satisfactory prices. Most of the undelivered tobacco is of inferior grade, but is bringing a fair price.

The cigar leaf market in District No. 3 (Philadelphia) continues dull, and in all but a few sections, the largest part of the 1921 crop is still in the growers' hands. While the quality in general is poor, prices to date have been lower than in recent years. Demand for cigars is reported light in District No. 3 (Philadelphia) and production is still being curtailed. January, 1922, sales were no greater than January, 1921, which in turn was the poorest month in years. A slight improvement is reported since the first of February. Only a few makers of popular brands are producing cigars in any appreciable volume.

FRUIT. Prices of citrus fruit, both in California and Florida, rose rapidly in the latter part of January, as a result of the severe damage to the California crops from frost. Officials of the California Fruit Growers Exchange estimate that 50 per cent of the orange crop and $33\frac{1}{3}$ per cent of the lemon crop have been destroyed by frosts and winds. Oranges suffered more severely than lemons, because lemons are planted in more favored situations and are more generally protected by smudge-fires and heating plants. Shipments of oranges and lemons from California from November 1, 1921, to January 29, 1922, amounted to 10,439 cars, an increase of about 2 per cent over the shipments in the corresponding period of the previous crop year. According to District No. 6 (Atlanta), extremely cold weather at distributing points has hindered the movement of citrus fruit from Florida, but during this season to date, shipments of oranges have been approximately as heavy, and shipments of grapefruit have been 12 per cent heavier than in the corresponding weeks of the last crop year. It is estimated that only 45 per cent of the grapefruit crop has been shipped from

Florida, and over 6,500 carloads are said to be still on the trees.

Unsettled and cold weather during January is reported to have caused some damage to fruit in Michigan. In New Mexico there was some premature blossoming of apricot trees in January, but District No. 10 (Kansas City) reports that subsequent loss from frosts was negligible. The southern strawberry crop was in good condition at the end of January.

GRAIN MOVEMENTS. The volume of grain movements showed a further slight advance during January, due to the exceedingly heavy marketing of corn. Receipts of corn at Chicago amounted to 28,568,000 bushels in January, as compared with 18,288,000 bushels in December, and correspondingly large increases in receipts were recorded at Minneapolis, Omaha, and St. Louis. January receipts of wheat showed some curtailment at most reporting centers, although slight increases were recorded at St. Louis and Wichita. Receipts of rye also declined, but receipts of oats and barley registered moderate increases. Stocks of grain at 11 interior centers declined somewhat during January, although there was some increase in stocks of rye and barley. The most general reduction occurred in the case of wheat stocks, which declined at all important centers except Duluth. District No. 12 (San Francisco) reports that total exports of wheat and barley from Pacific Coast ports during the present cereal year are considerably higher than during the same period of the previous season. These exports amounted, in the case of wheat, to 47,468,211 bushels this year, as compared with 28,616,256 bushels last year.

FLOUR. January production of flour showed an increase over December in certain Districts, but in others the reverse was true. In District No. 9 (Minneapolis) the January output reported was 1,935,754 barrels, as compared with 1,754,654 barrels in December, while in District No. 8 (St. Louis) the respective figures for 11 millers were 333,966 barrels and 248,600 barrels. In District No. 7 (Chicago), however, January production of 44 millers was 289,478 barrels, a decrease of 3.3 per cent from the December figure, while in District No. 10 (Kansas City) 1,398,989 barrels were produced in January. Output in District No. 12 (San Francisco) decreased from 775,139 barrels reported by 61 mills in December, to 711,292 barrels reported by 67 mills in January. A decidedly better feeling pervaded the trade in District No. 8 (St. Louis), accompanied by stronger demand for both home consumption and export. Retailers and ultimate consumers show a disposition to replenish stocks. In District No. 10 (Kansas City), demand was somewhat slow early in January, most of the orders being for quick shipment. The increase in wheat prices, and the accompanying increase in flour, has stimulated purchasing, although, states District No. 10 (Kansas City) "not to the extent of creating any extraordinary demands".

LIVE STOCK. Movement of each of the principal classes of live stock to market during January was heavier than in December, although in all cases less than in January, 1921. Receipts of cattle and calves at 15 western markets during January were 1,128,020 head, as compared with 975,330 head during December and 1,191,814 head during January, 1921. In the case of hogs, receipts increased from 2,673,947 head during December to 2,882,551 head during January, as compared with 3,339,419

head during January, 1921. Receipts of sheep during January were 1,101,679 head, as compared with 974,034 head during December and 1,112,024 head during January, 1921. During January there was more activity in the purchase of stocker and feeder cattle, calves and sheep in District No. 10 (Kansas City) than had been observed for many months. Such purchasers in quite a number of instances outbid buyers for the packers. The live stock in the District in general is reported to be in a very favorable position. In Districts Nos. 11 (Dallas) and 12 (San Francisco), however, conditions have been unfavorable. Winter rains in District No. 11 (Dallas) have not been sufficient to relieve the drought from which ranges have been suffering for several months, while in District No. 12 (San Francisco) there was unusually cold weather throughout January.

Twenty-three representative packers report an increase of 1.8 per cent in January sales (measured in dollars) over those for December, but a decline of 17.8 per cent from those for January, 1921. Reports from District No. 7 (Chicago) generally state that domestic trade in fresh meats was slow during the latter part of January and early February, although domestic trade in cured meats and lard was good. A marked revival took place in the demand for lard and provisions in the United Kingdom and on the continent, and prices advanced.

COAL. Production of bituminous coal showed an increase during January. The output for the month was 37,600,000 tons, as compared with the December production of 30,975,000 tons, and a production in January, 1921, of 40,270,000 tons. With the exception of October, the figures for January, 1922, are the largest since January a year ago. The present production is large enough to meet current requirements for consumption and export and at the same time add to the reserve in storage. Due to the expectation of a strike of bituminous

miners on April 1st, there has been an improved demand and a building up of reserves during the last month. This has been especially noticeable with railroads and public utilities, - electric utility plants having 51 days' supply on hand and coal gas plants 39 days' supply on January 1st. Other classes of consumers hold from four to eight weeks' supply. Stocks throughout the country on January 1 amounted to 47,500,000 tons in addition to 7,151,000 tons on the Upper Lake docks.

Production of anthracite coal increased from 5,984,000 tons in December to 6,253,000 tons in January, which is 15 per cent below the 7,410,000 tons production for January, 1921. District No. 3 (Philadelphia) reports that continued cold weather during the past month has resulted in only a slight improvement in the domestic demand for prepared sizes of anthracite. All purchasing is of a hand-to-mouth nature and orders are for only small lots, as operators and dealers alike are unwilling to accumulate stocks before the end of the present coal year. Domestic consumers are unwilling to purchase at the present price as their fuel needs will lessen considerably after April, and consumers of steam sizes are also reluctant to stock at the present price, since they are aware of the existence of heavy supplies of steam coal in the yards of dealers and operators. In an endeavor to reduce their holdings, independent operators have reduced their prices, even on some of the popular sizes, to the companies' level, and retail dealers have shaded existing prices as much as 50 cents or \$1 a ton. The production of the bee-hive coke for January was 496,000 tons as compared with 514,000 tons in December and 1,137,000 tons in January, 1921, while January production of by-product coke was 1,903,000 tons as compared with 1,860,000 tons in December and 2,278,000 tons in January a year ago.

PETROLEUM: Reports from District No. 10 (Kansas City) state that the number of oil wells completed in January of this year was less than one-half the total completed during January, 1921, but the quality of the wells was such as to bring the new production to within 3 per cent of the total new production for January, 1921. Crude oil production for Kansas, Oklahoma and Wyoming amounted to approximately 14,369,000 barrels, as compared with 12,158,000 barrels in January, 1921. Production of crude petroleum in District No. 11 (Dallas) totaled 14,916,130 barrels during January, breaking all previous records and registering an increase of 1,496,380 barrels ^{over} the December production figure. In that District 212 new producing wells, with an initial flow of 259,188 barrels, were completed in January as compared with 203 producers with an initial flow of 328,984 barrels in December. Average daily production of petroleum in California during January was 315,755 barrels, a decrease of 9,723 barrels a day, compared with December, and of 15,431 barrels a day compared with January a year ago. Fifty-two new producing wells with an initial daily production of 11,210 barrels were completed during January. Stored stocks at the end of the month increased to 36,184,527 barrels, an increase of 1,162,615 barrels over the amount stored during December. Prices for crude oil showed very little change during the month of January, but are higher than in January, 1921, at which time crude oil prices were showing rapid declines.

IRON AND STEEL: After the extreme dullness of December, January steel ingot production showed an increase to 1,593,482 tons from the figure of 1,427,093 tons during the preceding month, but pig iron production showed a slight decrease, from 1,649,086 tons in December to 1,638,697 tons in January. The unfilled orders of the United States Steel Corporation at

the close of the month likewise showed a small decrease, from 4,268,414 tons to 4,241,678 tons. Divergent reports are, however, heard as to conditions in February. On the one hand the fact that increased demand since the middle of January has served to carry operations back to the level obtained in November is pointed to. Furthermore, some important companies having a diversified output have recently been able to run at better than 60 per cent of their capacity. On the other hand, while it is acknowledged that many firms report an increasing volume of inquiries, and in some instances a larger number of orders, it is believed that the increase has been but slight. It is generally acknowledged that at least a considerable part of the present demand is for small quantities and for immediate delivery. A large part has been for the replenishment of exhausted lines, revealed when inventories were completed in January. More active demand by cement and oil interests, as well as for export, is reported. There have been some sales of both railroad equipment and structural steel, both inquiries and orders being believed by some to afford decided encouragement, while others regard them as "disappointingly small". All in all, it is apparent that conflicting tendencies are still in evidence and that no marked tendency toward either further progress or recession has yet appeared. This is reflected by the fact that prices for both pig iron and finished steel products in general continue weak.

AUTOMOBILES: Some improvement in the automobile industry in January is reported, although when compared with a year ago, production is considerably less. Companies reporting produced 54,086 passenger cars in January, as against 52,026 in December. These companies produced 73.6 per cent of

the total output reported for December. Manufacturers report that the results of the New York and Chicago automobile shows, both in attendance and interest displayed by the public, were better than expected. It is stated by District No. 4 (Cleveland) that the public is showing more confidence after the recent price reduction, and that orders are beginning to come in. Output of reporting truck manufacturers decreased from 6,318 trucks in December to 5,837 in January. These manufacturers produced 76.1 per cent of the total output reported for December.

NONFERROUS METALS: There was little change in the nonferrous metal market during February. The price of copper (New York, net refinery) was 12.875 cents to 13.0 cents per pound on February 15, as compared with 13.25 cents per pound on February 1, while the price of lead has been practically stabilized at 4.70 cents per pound since last September. The zinc market has been exceptionally quiet, the price remaining around 4.50 cents. Copper production in January amounted to 25,848,284 pounds in comparison with a production of 18,595,182 pounds in December. Some of the more important copper companies have resumed operations in spite of the reduction in the price of the metal. District No. 10 (Kansas City) reports January shipments of 28,431 tons of zinc blends as compared with 30,096 tons for January, 1921, average prices being \$26.44 and \$27.11, respectively. Production of zinc showed a further increase, amounting to 23,706 tons in January as compared with 22,013 tons in December, but was still less than the amount produced in January, 1921, which totaled 25,916 tons. There was a further slight reduction in the amount of zinc on hand, stocks at the end of January amounting to 65,678 tons as compared with 66,608 tons at the end of December. District No. 10 (Kansas City)

reports that the price of lead ore was very steady throughout the month of January, the prevailing price being \$60.00 per ton every week. Ore stocks at the end of the month showed 72,000 tons of zinc blende as against 50,000 tons for the same date in 1921, and of 600 tons of lead ore as against 500 tons on the corresponding date in 1921. District No. 12 (San Francisco) states that reports received from 14 of the largest mines in that District show a decreased production of gold, silver and lead for December as compared with the previous month.

COTTON TEXTILES: There has been a subsidence of activity in the cotton goods mills during recent weeks, although the consumption of cotton in January as reported by the Bureau of the Census rose to 526,552 bales as compared with 511,800 bales in December. The continued fluctuations in the price of raw cotton have been a serious hinderance to the placing of forward orders, and the extensive strikes in New England mills following announced wage reductions have added to the already existing uncertainties. During January, however, the rate of the activity of the New England cotton industry was well maintained and even showed a slight increase. Goods mills in District No. 3 (Philadelphia) are operating at about 70 per cent of capacity with orders booked sufficient to enable them to continue running at that rate for about six to eight weeks. Very little manufacturing is being done for stock. During the first part of February, the yarn market in District No. 3 (Philadelphia) was reported to be exceedingly dull. Orders were in small lots for immediate delivery and buying was confined chiefly to the knitting trade. Yarn mills in the District were operating at 65 per cent of capacity with about 75 per cent of orders being filled from stock. District No. 5

(Richmond) says that the mills in that section "continued to run on approximately full time in an effort to get the cost of production as low as possible, but orders being far less than the output, some accumulation of stock has resulted". On account of the unwillingness of buyers to place forward orders, many mills were beginning to curtail their operating time. Cotton cloth manufacturers in District No. 6 (Atlanta) have also felt the unfavorable effects of the uncertain markets for raw cotton. In the case of the goods mills, demand decreased during January and a number of the mills reported that they were "unable to secure orders under present conditions for future delivery". Statistics based on the returns from 40 representative goods mills in the District showed a reduction in the yardage output of clothing during January of 1.7 per cent as compared with December but an increase of 39.1 per cent as compared with a year ago. Shipments increased 3.4 per cent during the month as compared with December and 29.4 per cent as compared with January, 1921. Orders on hand were 6.8 per cent greater than at the end of the preceding month and 8.2 per cent above those on hand a year ago. Although yarn buyers were also said to be purchasing only for immediate needs the reports received from 39 representative yarn mills in District No. 6 (Atlanta) showed a great increase in activity during January. Production rose 17.9 per cent as compared with December and was 90.6 per cent greater than a year ago. Yarn shipments increased 2.8 per cent as compared with December and 108.1 per cent as compared with January, 1921. Orders on hand at the end of the month were 15.9 per cent larger than at the end of December and 20.5 per cent larger than a year ago. It is stated that the demand for low grade yarns appears to be weak, consumers showing preference for the better grades.

WOOLEN TEXTILES: Activity in woolen textiles has shown a slight recession during the past month, as is evident from the statistics of active and idle machinery and percentages of idle hours reported by the Bureau of Census. The percentages of idle looms to total reported rose in all cases except in that of carpet and rug looms. For looms wider than 50" reed space, the percentage of idle machinery on February 1, was 34.3 as compared with 30.3 at the beginning of January. The corresponding percentages for looms 50" reed space or less were 27.2 and 21.2 respectively. On the other hand, there was a reduction in the percentage of idle carpet and rug looms from 26.2 to 22.4, (February 1). The percentage of idle woolen spindles rose from 25.1 to 27, and for worsted spindles from 13 to 14.3. Percentage of idle hours to totals reported were also greater in the case of weaving machinery excepting carpet and rug looms, the figures for looms wider than 50" reed space being 35.2 per cent on February 1, as compared with 32.9 per cent at the beginning of January. The corresponding figures for looms 50" reed space or less were 32 per cent and 27.8 per cent. The percentage of idle hours for carpet and rug looms, however, was reduced to 23.9, as compared with 29.7 for the preceding month. Percentages of idle spindle hours remained practically unchanged, falling in the case of woolen spindles, from 25.6 at the beginning of January to 25.4 on February 1, while in the case of worsted spindles they rose from 13.8 at the beginning of January to 13.9 on February 1.

District No. 1 (Boston) reports woolen and worsted machinery to be "moderately active" although not operating at as high a rate as during the past two or three months. Orders taken at the recent opening sales of the mills were, generally speaking, below expectations. In District No. 3

(Philadelphia) production of woollen and worsted cloth increased slightly during the month and reporting mills averaged about 75 per cent of operating capacity. However, orders on hand were not in most cases sufficient to make possible the maintenance of this rate of production for more than 30 days. In the yarn market, District No. 3 (Philadelphia) reports a falling off in the demand for knitting yarns but there was a slight improvement in the call for weaving yarns, although the market continues to be very limited. Carpet yarns, however, were in active demand. Operations of yarn mills in the District averaged about 80 per cent of capacity and it was stated that most spinners could continue at that rate for two or three months on the basis of orders on hand. In some cases, departments were being operated at night and a majority of the mills were employing a full force of men.

The market for raw wool continues to remain firm although a lessening of the volume of operations has been noticeable since the beginning of February according to the report from District No. 1 (Boston). Raw wool prices in the Boston market advanced on the average nearly 50 per cent to the beginning of February as compared with fall quotations. District No. 12 (San Francisco) reports that at the present time little or no wool is held by growers in that District. Between 75 and 80 per cent of the 1921 wool clip and carry-over was sold between June 1 and November 1, 1921, at prices ranging from 9 cents to 20 cents per pound according to the grade of wool and locality where grown. Wool buyers are now said to be offering from 17 cents to 33 cents per pound for various small holdings still in the growers' hands. Raw wool consumption during the month of January amounted to 61,192,000 pounds.

CLOTHING: Clothing sales in Districts No. 2 (New York) and No. 8 (St. Louis) showed very slight changes in January as compared with December. In the former District there was a negligible increase of 2.3 per cent in sales for 10 reporting firms while in the latter there was a slight recession in the volume of sales of 23 reporting firms. In both Districts sales as compared with a year ago showed reductions. In District No. 2 (New York) this drop amounted to 22.8 per cent. Returns received from six wholesale manufacturers of men's clothing located in District No. 7 (Chicago) showed that the volume of orders for spring received to date was 25.8 per cent ahead of orders received for the spring season last year. The comparison is for the same number of days during the two seasons. The production increased slightly during the month, the number of suits made being 5.4 per cent greater than during December and 64.1 per cent in excess of production for January, 1921. Shipments were 327.9 per cent greater than in December and 58.9 per cent greater than in January a year ago. The reports received from 10 tailor-to-the-trade showed a slowing down in activity, as the number of suits made was 36.5 per cent below that of the preceding month, although 11.4 per cent greater than a year ago. Orders received during the month were 30 per cent below December figures but 14.5 per cent above those for January a year ago. Shipments declined 36.5 per cent from the December totals, but increased 11 per cent over last year.

SILK TEXTILES: The market for silk goods of all descriptions is in a highly unsatisfactory condition, due in considerable part to the uncertainties growing out of the speculative rise in the prices of raw silk in the Japanese markets. Buyers, in consequence, are unwilling to make forward commitments on the basis of present costs of production, and the few orders that are being placed are chiefly for immediate delivery. The situation in District No. 3 (Philadelphia) in the case of mills manufacturing silk goods, is better than might be expected, considering these disturbing factors, as the average rate of operation of reporting firms is about 70 per cent of capacity. A number of mills, as a matter of fact, are operating at full capacity but in all cases activity is based on orders received some time ago. The demand for silk yarns has fallen off to a certain extent and the cessation of buying by hosiery manufacturers has been an unfavorable factor, but nevertheless, yarn manufacturers in District No. 3 (Philadelphia) are operating at "an almost normal" rate for this season of the year. They are, however, engaged on orders taken during previous months. Although a few mills are running at full capacity with enough business to insure capacity operation for about six weeks, reporting establishments are averaging only 60 per cent of capacity and on the basis of present orders can not continue at that rate more than two weeks. Latest reports from Paterson and North Hudson, February 11, show a very low percentage of activity, as only 3,653 looms out of a total of 15,000 reporting were operating in Paterson and the percentage of operating loom hours to total available was only 23.02 per cent, a reduction from the figure of 24.13 per cent reported two weeks ago. In North Hudson, the percentage of operating loom hours to total reported was 57.48 per cent as compared with 58.8 per cent on January 28. Active looms amounted to 2,456 out of a total of 4,179.

HOSIERY: Reports from 33 hosiery firms in District No. 3 (Philadelphia) show a large increase in orders booked during January. In the case of those reporting firms which sell to the wholesale trade, orders booked during the month increased 55.5 per cent as compared with December while in the case of the firms selling to the retail trade the increase was 181.9 per cent. Unfilled orders on hand January first were 1.9 per cent greater than during the preceding month in the case of firms selling to the wholesale trade and 33 per cent larger in the case of firms selling to the retail trade. Product manufactured during the month rose for both classes of firms, the respective percentages being 0.4 and 18. Shipments in the case of firms selling to the wholesale trade advanced 11.7 per cent and in the case of firms selling to the retail trade dropped 24.7 per cent. The report from District No. 3 (Philadelphia) says that "statements received regarding the amount of business being done are very conflicting and it is agreed that difficulties are met with, due to the fact that the cost of materials has increased, while there is difficulty in placing orders at any advance in prices over those named earlier in the season. During the month there was a slight decline in the price of silk and cotton yarns but not sufficient to enable manufacturers to make any concessions to buyers". District No. 6 (Atlanta) reports that there is little change in the activity of the cotton hosiery mills in that section. Orders booked during the month were, however, considerably larger than in December and about the same as reported for January of the preceding year.

UNDERWEAR: In January, 1922, reports were received from 55 mills producing underwear, as compared with 49 in December, and 61 in January, 1921. Actual production during the past twelve months shows material progress. A year ago the production of 61 reporting mills was only 148,023 dozens, or 16.4 per cent of normal, while the most recent figures from 55 mills place actual production at 640,489 dozens, or 79.1 per cent of normal. In December the production of 49 mills stood at 77.0 per cent of normal.

The greater part of the January 1922 production was along the line of summer underwear, which amounted to 347,977 dozens or 95.3 per cent of normal, while the production of winter garments amounted to 292,512 dozens or 65.8 per cent of normal.

Comparative reports received from 34 mills show marked improvement for the month of January as compared with the December returns from the same mills. Production rose from 398,338 dozens in December to 417,051 dozens in January, a gain of 4.7 per cent. Unfilled orders fell slightly from 1,228,611 dozens on December 13 to 1,175,377 dozens January 14, a decrease of 4.3 per cent. The most striking gains are seen in new orders received and shipments during the month. The former rose from 271,764 dozens in December to 481,270 in January, an increase of 77.1 per cent, while 524,007 dozens were shipped during January as compared with 320,126 dozens in December, a gain of 63.7 per cent. At the same time cancellations fell off 36 per cent from 10,850 dozens in December to 6,940 dozens in January.

Forty mills with a normal production of 685,149 dozens, reported an actual production of 505,242 dozens during January with unfilled orders on hand February 1, amounting to 1,531,205 dozens, the balance of orders having increased 18.2 per cent since January 1. New Orders amounted to 782,616 dozens or 114.2 per cent of normal production, while shipments were 78.7 per cent of normal production. Cancellations were slight, being only 1.1 per cent of normal production.

SHOES AND LEATHER.

Demand for hides and skins continued to be very dull during the last week in January and the first three weeks in February, and prices of packer hides at Chicago yielded somewhat in the week ending February 18th. District No. 7 (Chicago) reports, however, that more interest has been shown in country and specialty hides than in the packer class. Sales of green calf and kip skins throughout the United States were 105 per cent greater in January than in December. The curtailment made several weeks ago by most of the tanners in the number of hides put into process will not be felt in the finished leather market for several months. District No. 3 (Philadelphia) states that sales of leather are not large but orders are being received steadily. Sales of belting in District No. 7 (Chicago) were greater in January than in either December or January, 1921, but belting prices advanced. Demand for shoe leathers has been restricted largely to specialties, such as patent, grey suede, smoked elk skins, and veals. January sales in the United States were 124 per cent larger than those of December, due to a heavy increase in demand in the Middle West.

Shoe manufacturing showed an encouraging increase in activity during January, except in District No. 8 (St. Louis). Reports from eight manufacturers in District No. 1 (Boston) indicate that January production was 12 per cent greater than that of December and 113 per cent greater than that in January, 1921. Six of these manufacturers showed an increase of 2 per cent in shipments and a decrease of 7 per cent in new orders for January in comparison with December. Forty-five reporting firms in District No. 3 (Philadelphia) show increases of 15 per cent in production, 14 per cent in shipments, 18 per cent in new orders, 8.5 per cent in stocks, and 5 per cent in number of operatives during January, while the volume of unfilled orders was reduced about 5 per cent. Shoe manufacturers in

that District are running their factories at a higher percentage of capacity than at any time since last spring, although prices still continue to decline. In the high grade factories specialties predominate, varying from strap slippers to sport shoes. Reports from 28 concerns in District No. 7 (Chicago) show that production increased 1 per cent, shipments 4 per cent, and stocks 16 per cent during the month of January. Retail merchants are reported to be buying only in small quantities and low priced shoes have the best demand. Factory operation in District No. 8 (St. Louis) ranged from 45 to 100 per cent of capacity, with lower production confined chiefly to interests specializing in expensive footwear. January sales of 11 reporting manufacturers in that District showed increases ranging from 62 to 140 per cent in number of pairs over January, 1921, but were slightly smaller than in December, 1921.

LUMBER: The lumber situation shows a slight improvement. The close of the inventory period has benefited the industry by an increased demand, but the increase has fallen short of expectations. General conditions in the lumber industry of District No. 12 (San Francisco) improved during January, which was evidenced by an increase in production, shipments and orders, both as compared with December, 1921, and with January a year ago. Production of lumber during the four weeks ending January 25, according to reports received from three lumber associations, totaled 327,624,000 feet compared with 264,544,000 feet in the preceding four weeks, an increase of 23.7 per cent during the month. Compared with January, 1921, when 152,110,000 feet were cut, there was an increase of 175,514,000 feet, or 115.3 per cent. Present cut is approximately 80 per cent of normal production for the reporting mills. Orders received during the month totaled 343,565,000 feet compared with 270,724,000 feet in December and 178,614,000 feet in January a year ago. The January orders exceeded the January cut by 4.8 per cent and the shipments were 5.3 per cent above the actual production, continuing the reduction in stocks which has been in progress since last November. Logging production during January was reported to be approximately 50 per cent of normal. Severe weather conditions have forced many camps to suspend operations for the past three months. District No. 6 (Atlanta) reports that although winter weather has interfered somewhat with mill and logging operations, there has been some improvement in the industry, as shown by an increase both in

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orders and production over the preceding month. For the week ending February 3rd of the 75 reporting mills of the Southern Pine Association 57 reported full time and only 4 shut down, compared with 6 operating full time and 23 shut down out of the 78 reporting for the last week in December. Production since January 1st has been about 81 per cent of normal. District No. 11 (Dallas) reports a production of 85,572,937 feet for 41 mills during January as compared with 95,954,972 feet for 45 mills in December. There has been a sharp decline of shipments combined with an increase in new orders, making the unfilled orders of 41 mills on January 31st, 44,667,936 feet against a total of 39,230,622 feet for 45 mills on December 31st. The demand for upper grades of lumber has been very weak.

Lumber sales at retail in District No. 9 (Minneapolis) declined 25 per cent between December and January, but were larger than in January a year ago. Stocks, while lower than a year ago, were larger at the end of January than at the end of December. On the other hand the number of board feet ordered during January, 1922, nearly doubled that of January a year ago, and shipments during January were more than double those of a year ago. Production of reporting mills in January was 4,536,322 board feet as compared with 1,803,114 board feet in December. In District No. 8 (St. Louis) there has been a declining market for west-coast lumber, moderate reduction of stocks, ragged prices, and a somewhat lower selling basis for hardwoods. Southern pine, however, has been making headway, and with a gradually increasing demand has apparently strengthened its price position since the new year.

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BUILDING: Building permits issued in 166 selected cities reached a total value of \$138,631,902 during January as compared with \$140,382,406 during December and \$61,522,867 during January, 1921. In seven of the 12 Federal Reserve Districts - No. 1 (Boston), No. 3 (Philadelphia), No. 5 (Richmond), No. 6 (Atlanta), No. 7 (Chicago), No. 11 (Dallas), and No. 12 (San Francisco) - the value of permits issued was greater in January than in December. These increases varied in size from 3 per cent in District No. 7 (Chicago) to 64 per cent in District No. 11 (Dallas). Decreases were registered in the other five Districts and ranged in size from 3 per cent for District No. 2 (New York) to 52 per cent for District No. 9 (Minneapolis). The value of permits issued in January, 1922, was greater than in January, 1921, in the case of every Federal Reserve District. These increases varied from 4 per cent for District No. 4 (Cleveland) to 230 per cent for District No. 2 (New York). The value of contracts awarded in seven Federal Reserve Districts (statistics of which are compiled by the F. W. Dodge Co.) decreased from \$183,633,754 in December to \$148,377,055 in January. Decreases occurred in Districts No. 1 (Boston), No. 2 (New York), No. 3 (Philadelphia), No. 5 (Richmond), No. 7 (Chicago), and No. 9 (Minneapolis), while there was a moderate increase in the value of contracts awarded in District No. 4 (Cleveland).

District No. 1 (Boston) states that residential construction continues to be maintained at a high rate, whereas the number of new business buildings shows a marked decline. Reports from District No. 3 (Philadelphia) indicate considerable building activity, which has been encouraged by further declines in prices of materials. In District No. 6 (Atlanta) building has

continued in large volume during the winter months, as the weather has been unusually mild, but building for industrial purposes has not revived to the same extent as home building. A large number of small homes are also being built in the southern sections of District No. 8 (St. Louis), where favorable weather conditions prevail. District No. 9 (Minneapolis) reports that there is a noticeable increase in the average size of permit issued for new construction, in spite of declining building costs. Construction activity in District No. 11 (Dallas) is increasing in volume and is being extended from residential building to building for business purposes. District No. 12 (San Francisco) reports that building activity in January once more reached record proportions, exceeding that in any month with the exception of October, 1921.

EMPLOYMENT: The reports received from the various Districts concerning developments in the labor situation during the past month are of a somewhat conflicting character. The latest statements issued by the United States Employment Service covering firms employing more than 500 workers show that for the period ending January 1 there was an increase of 4.2 per cent in numbers employed as compared with the end of December. Increases were especially noticeable in the case of vehicles for land transportation in which there was an increase of 58.4 per cent during the month. Leather and its finished products and metals followed with increases of 3.7 and 2.8 per cent respectively. The largest decreases occurred in railroad repair shops which showed a reduction of 3.9 per cent in numbers employed and in tobacco manufacture in which there was a decrease of 2.6 per cent. The

net increase in numbers employed amounted to 63,400 for the 1,428 reporting firms which were employing 1,556,507 workers on January 31. Since the date of this report, conditions have arisen which have brought about increases in unemployment in certain sections of the country notably in District No. 1 (Boston) where widespread strikes in the textile mills of Rhode Island and New Hampshire are now in progress. The strikes started about the middle of February when mills in northern New England and Rhode Island announced a reduction of 20 per cent in wage rates accompanied in some instances by an increase in working hours from 48 to 54 per week. So far, cotton mill operatives in Massachusetts have not been affected to any great extent as no wage reductions have been made either in Fall River or New Bedford. Little change occurred in the employment situation in that state during the past month, according to the reports of the Massachusetts Public Employment Offices at Springfield, Worcester and Boston. The number applying for all lines of work was, however, reported to be in all cases largely in excess of demand. In New York State, there was a slight decrease of 1.5 per cent in the numbers employed in 1,500 establishments which made reports to the State Department of Labor. The decrease was attributed mainly to seasonal reductions and the closing of factories for repairs. In District No. 3 (Philadelphia) a large number of unemployed was still reported for the six cities of Altoona, Harrisburg, Johnstown, Philadelphia, Scranton and Williamsport according to the Pennsylvania State Department of Labor. The number of unemployed rose from 232,960 on February 1 to 234,275 on February 15. However, this is an improvement over conditions on January 1 when there were 243,293 unemployed. Reports received by the

Philadelphia Federal Reserve Bank from other sections of the District indicate a high degree of unemployment as many manufacturers state that the number of applicants for work has been exceptionally large of late. District No. 5 (Richmond) reports that during the past month there has been some evidence of an increase in the numbers unemployed. Street car strikes have been in progress in Richmond, Norfolk and Portsmouth and one has been called in Columbia, S. C. A number of ship yards' employees have been laid off in Newport News. Employment agencies in the District note an influx of workers from northern and eastern points who have been induced to migrate by information of greater activity in the industries of the southeastern states.

Special reports made to the Federal Reserve Bank of Chicago show that at the end of January there was an increase of 4.3 per cent in numbers employed by reporting firms as compared with the end of December although a decline of 5.8 per cent as compared with a year ago occurred. The inquiry covers 205 firms which employed 116,277 men on January 31. The increases in employment were exceptionally heavy in the case of automobiles and accessories, metals other than steel and iron, and agricultural machinery. The respective percentages were 126, 15.1 and 15.2. In the automobile group, the heavy increase was caused by the fact that two of the five reporting plants resumed operations after temporarily closing down. In the agricultural machinery group the increases in numbers employed are offset in part by the fact that many plants are working on reduced schedules or

maintaining relief employment. In District No. 9 (Minneapolis), conditions improved during the month of January and special reports made to the Federal Reserve Bank of Minneapolis covering firms employing less than 500 men in Minneapolis and also including mining and lumbering companies in the District showed an increase of 8.2 per cent in numbers employed. The United States Employment Service covering the larger establishments likewise reported slight increases during January. The most pronounced improvement in conditions occurred for mining companies in Montana and Michigan, in lumber manufacturing and in construction work. Comparing the total number employed by firms reporting directly to the Federal Reserve Bank on February 1 with numbers employed on the same date of the preceding year there was a reduction of 20 per cent recorded. The decrease was heaviest in the case of mining companies in northern Minnesota which were employing less than half as many men as on the same date a year ago. District No. 10 (Kansas City) reports no especial change during the month. Reports received directly from a number of industrial plants located in the district showed a slight improvement, as these plants were employing 39,655 men at the close of January as compared with 39,349 at the end of the preceding month and 38,686 a year ago. In District No. 11 (Dallas) no special change was noted during the month. Numbers employed increased in the building trades but it was stated that in cotton seed products plants, railroad shops, mining, lumber and metal trades and among the ranks of clerical and unskilled workers there was still a large degree of unemployment prevalent. In District

No. 12 (San Francisco) also there were practically no changes during the month of January. In California, Oregon and Washington there was reported to have been "an improvement in outlook". Increased activity in lumbering and other industries was absorbing some of the unemployed forces of the District, and in Arizona, Nevada, Idaho, and Utah an increase in mining activity especially in the copper mining districts had occurred. On the other hand, railroad and construction work were reduced in scope and the decreases in numbers employed in these lines about counterbalanced the increases in other lines.

WHOLESALE TRADE: Statistics giving sales of the four reporting wholesale lines, groceries, dry goods, hardware and boots and shoes, indicate no changes of moment during the past month, although in the case of dry goods a marked seasonal upturn in sales is registered for all Districts except No. 2 (New York) in which there was a decline of 14.3 per cent for 3 reporting firms. In all other Districts there were advances ranging from 4.5 per cent in District No. 4 (Cleveland) 11 firms reporting, to 95.3 per cent in District No. 10 (Kansas City) 5 firms reporting. A majority of the other Districts record exceptionally heavy increases amounting to 49.2 per cent in the case of District No. 7 (Chicago) with 11 firms reporting and 54.9 per cent in District No. 5 (Richmond), 14 firms reporting. In all other cases except District No. 12 (San Francisco) increases were in excess of 25 per cent as compared with the preceding month. Sales were heavier as compared with January a year ago in every case except District No. 6 (Atlanta) where there was a negligible drop of 1.5 per cent for 21 reporting firms.

Otherwise, increases ranged from 2.5 per cent for 14 firms in District No. 5 (Richmond) to 62.1 per cent for five firms in District No. 10 (Kansas City). Increases as compared with a year ago were also especially heavy in Districts No. 2 (New York), No. 7 (Chicago), No. 9 (Minneapolis), the advances amounting to 40.3 per cent for three firms, 42.4 per cent for 11 firms, and 50.1 per cent for four firms, respectively. Reports from wholesale grocery firms indicate a generally dull trade during the month of January in all Districts except No. 9 (Minneapolis) in which an advance of 3.5 per cent for 12 firms occurred and District No. 12 (San Francisco), in which there was an increase of 15.5 per cent for 31 firms. Decreases were recorded ranging from 2.4 per cent in District No. 11 (Dallas), 12 firms reporting, to 11.8 per cent in District No. 2 ((New York), 41 firms reporting. As compared with a year ago, decreases were evident in all reporting Districts although they were not sufficiently pronounced to more than offset the intervening price declines in most cases.

The declines in sales were least in District No. 12 (San Francisco) where a drop of 1.9 per cent was recorded for 31 firms; the decrease was greatest in District No. 6 (Atlanta), where sales were 18.8 per cent less for the 32 reporting firms. Seasonal dullness in the hardware trade is also reflected in the fairly pronounced drop in sales that occurred in most reporting Districts during the month of January. Exclusive of District No. 5 (Richmond) in which an advance of 7.1 per cent in the sales of 19 reporting firms occurred, declines were registered in all reporting Districts, the minimum being 2.5 per cent for District No. 12 (San Francisco) with 21 firms reporting, and the maximum amounting to 29.5 per cent for eight reporting firms in District No. 10 (Kansas City). The volume of sales as compared with a year ago has been fairly well sustained, the decreases ranging from a negligible amount of .7 per cent in District No. 12 (San Francisco) 21 firms reporting, to 28.6 per cent in District No. 4 (Cleveland), 10 firms reporting. Three reporting shoe wholesalers in District No. 9 (Minneapolis) reported a very heavy increase in sales during January of 73.6 per cent as compared with the preceding month. Otherwise declines were recorded in Districts No. 2 (New York), No. 5 (Richmond), No. 6 (Atlanta), No. 7 (Chicago) and No. 12 (San Francisco), rising from 2.7 per cent in the case of District No. 6 (Atlanta), nine firms reporting to 15.2 per cent in the case of District No. 7 (Chicago), 16 firms reporting. As compared with a year ago, four Districts, No. 2 (New York), No. 5 (Richmond), No. 9 (Minneapolis), and No. 12 (San Francisco) show increases amounting to 6.4 per cent, eight firms reporting; 36.5 per cent, 20 firms; 47.1 per cent, three firms reporting; and 26.2 per cent, 21 firms reporting respectively.

RETAIL TRADE. Retail sales in January showed the usual decrease in volume after the holiday buying. All Districts reported decreases in dollar amounts as compared with January, 1921 figures, but this is attributed in most cases to decline of prices rather than a smaller volume of trade. The public did not respond as usual to the annual sales, and extra sales efforts were necessary to maintain even the current volume of sales. Collections were rather poorer than in the preceding months. The percentage of unpaid charge accounts compared with cash payments being large, especially in country districts. The dollar amount of sales recorded by 387 stores throughout the United States showed a decrease of 12.4 per cent from January, 1921.

Decreases recorded by the various districts were as follows:

<u>District</u>	<u>Percent</u>	<u>District</u>	<u>Percent</u>
No. 1 (Boston)	8.1	No. 7 (Chicago)	6.6
" 2 (New York)	7.8	" 8 (St. Louis)	15.1
" 3 (Philadelphia)	12.2	" 9 (Minneapolis)	15.6
" 4 (Cleveland)	21.9	" 10 (Kansas City)	12.9
" 5 (Richmond)	17.0	" 11 (Dallas)	19.0
" 6 (Atlanta)	19.4	" 12 (San Francisco)	6.3

Department stores' stocks showed a decrease of 4.2 per cent from last month, but are about the same size as last year. The rate of turnover was slightly less than in December, 1921, but there was a rather substantial increase in the volume of outstanding orders.

PRICES. The most significant feature in the price situation in the first three weeks of February was the rise in prices of agricultural commodities. Prices of grains and live stock, not only on the large exchanges but generally throughout the country, showed appreciable advances, while wool prices, especially for the finer grades, were materially higher than in December and January. Raw cotton, however, was slightly

lower at the opening of February than in January, but the February average quotation for upland middling at New Orleans was 16.29¢ a pound as compared with 16.75¢ in January. Prices of nonagricultural raw materials were for the most part lower in February than in January. An average of the prices of all grades of bituminous coal on the leading markets of the country was \$2.21 a ton at the mine in February, as compared with \$2.26 in January. Pig iron prices were also lower in February, as were prices of copper and tin. Lumber prices in general have been practically unchanged for a period of several weeks.

An average of February prices of manufactured goods would probably show little change from the January average. Steel products continued to decline in February, also cotton yarns and cloth. Wool and silk textiles, on the other hand, increased although in the case of the finished goods, trading appears to have been on a comparatively narrow basis. Food prices showed a tendency to increase because of the rise in prices of agricultural commodities.

January is the most recent month for which index numbers of wholesale prices are available. The Federal Reserve Board index for that month was 138 (with prices in 1913 considered as 100). This figure was the same as the December index. Between December and January small reductions were made on the average in the prices of manufactured goods, while raw materials as a group advanced. The increase in the latter group was due to the advance in prices of farm products.

Changes in retail prices and the cost of living in general have been slight during the past few months, as is shown by a study of the cost of living in 32 cities which was published by the Bureau of Labor Statistics early in February. This study shows that between September and December,

1921, there was an average reduction in the cost of living of only 1.7 per cent. The total reduction since the peak of prices in the summer of 1920 is estimated at 19.5 per cent.

FOREIGN TRADE. January exports and imports were both somewhat lower than those reported for December. Exports, which amounted to \$279,000,000 were at a level lower than had been reached at any time since August, 1915. Imports, which were valued at \$216,000,000, although lower than the December total, did not decline to the very low values recorded in the summer months of 1921. Foreign trade at this season of the year is normally less than at other times, so that this latest decline is not unexpected, nor does it signify anything new of a disturbing sort.

One of the most significant facts in connection with American foreign trade in recent months has been the readjustment of exports and imports upon a basis more nearly approaching an even balance. In January the excess of merchandise exports over imports was only \$63,000,000 as compared with \$445,000,000 for the previous January, and a monthly average during 1921 of \$165,000,000.

The latest foreign trade figures, therefore, indicate the continuance of a tendency which became especially pronounced in November, 1921, when merchandise exports exceeded imports by \$83,000,000 as compared with the far greater amount of \$155,000,000 in October. If allowance is made for imports of gold and also for estimates of the various "invisible" elements in our trade balance, such as immigrants' remittances and foreign investments, the excess of merchandise exports has been more than offset in each of the last three months, with the result that our balance of trade has actually been reversed and for those months constituted a small debit against us.

SHIPPING. Ocean freight rates during February remained generally steady, while such changes as occurred were in the direction of higher quotations. Grain was the principal commodity for which substantially increased rates were paid from American ports to the United Kingdom and the Continent, while small increases over January rates were effective on flour in the same trades. West Indian sugar cargoes, although not so active as in January, continued to furnish employment to many vessels. Time chartering for future requirements was less in evidence than in the previous month, but there was good demand for steamers in position for prompt loading, and charterers at times found difficulty in filling their immediate needs without offering a premium. Steamship men report that cargo offerings are on the increase, which, coupled with the firmness of freight rates and improved foreign exchange conditions, has given rise to a feeling of greater confidence in shipping circles than prevailed two or three months ago.

FEDERAL RESERVE BOARD
WASHINGTON

X-3342
February 27, 1922.

SUBJECT: Notation on blank checks of member banks indicating branch to which they should be sent for collection.

Dear Sir:

The Board has received a letter from a member bank which is located in the branch territory of one of the Federal Reserve Banks, calling attention to the fact that while many of the member banks have on their blank checks the number of their Federal Reserve District they do not have anything to indicate the branch to which the issuing bank is assigned and to which its checks should be sent for collection. The suggestion is made that if some means could be devised of indicating the branch on the checks it would facilitate the handling of the items. Possibly the printing of the name of the branch in skeleton letters across the numerals might be desirable, but the suggestion is referred to you for consideration and for such action as you may deem advisable.

Very truly yours,

G o v e r n o r .

GOVERNORS OF ALL F. R. BANKS
COPIES TO F. R. AGENTS.

X-3343

F E D E R A L R E S E R V E B O A R D

STATEMENT FOR THE PRESS

For release in afternoon papers,
Friday, March 3, 1922.

CONDITION OF THE ACCEPTANCE MARKET

With this month a change is made in the method of reporting the condition of the acceptance market. During the past year, a separate report for each district was presented, but beginning with this report, a general survey of the acceptance market for the entire country will be made. These reports will cover a period beginning approximately with the middle of the month.

The demand for acceptances has been generally good, although irregular. District No. 4 (Cleveland) reports an improvement over the entire month, caused to some extent by deposits in banks of funds arising from the soldier bonus granted by Ohio. Most of the other districts state that while the demand was strong during the latter half of January, it declined during the early part of February. The decline was caused in part by the offering of a new issue of United States certificates at a rate more attractive than that on bankers' bills. Government financing thus adversely affected the accept-

ance market throughout the entire country. An additional factor which drew funds from the acceptance markets of the East, was the hardening of the call money rate to 5 per cent with the close of January and its continued firmness during the first two weeks of February. Also individuals and corporations rather favored long-term investments with tax-exempt features.

The supply of bills especially at the beginning of the period was small in relation to the demand, but during February bills moved more slowly due to their comparatively low rate. However, District No. 4 (Cleveland) reports that a number of banks which had not supplied the market for some months past came in with offerings, and so the market as a whole was well supplied. Acceptances based on foreign transactions tended to decrease, because of the general decline in the invoice value of exports and imports, while those arising from domestic shipments and warehousing increased. District No. 10 (Kansas City) attributes the lull in foreign acceptances to the diminishing flour and grain exports at this season of the year. Foreign acceptances executed by banks in District No. 6 (Atlanta) during January were 3.7 per cent less than those executed during December, 1921, and 17.9 per cent less than during January a year ago. The same District notes that domestic acceptances executed during January, 1922, aggregated 10.5 per cent more than those executed during December, 1921 and more than three times the amount made during January, 1921. Also District No. 4 (Cleveland) observes a continued decline in export and import bills, but a new supply of bills based on warehouse receipts and domestic shipments.

Bills offered during this period were varied in nature.

District No. 2 (New York) reports that new bills coming into the market were drawn principally against sugar, cotton, grain, silk and coffee, in the order mentioned. In District No. 7 (Chicago), bills were drawn largely against meat, grain, coffee, provisions and canned goods. District No. 3 (Philadelphia) reports the following classes of bills: cotton, flour (warehouse), food products (domestic), leather (import), oil and lumber (export).

Rates were low during the beginning of the period, but moved to a higher level during the early part of February with the increase in the rate for call money and the decrease in the demand for bills. In District No. 2 (New York), during the first week of January the dealers were bidding $4-1/4$ for prime bills and offering at $4-1/8$ and as a result of the exceptionally good demand, bills moved very freely at the latter mentioned rate. Due to the heavy demand and the scarcity of new bills, dealers reduced their bid rate to $4-1/3 - 3-7/8$, and their offering rates to $4 - 3-3/4$. These rates, however, were apparently not attractive enough, and as the demand fell away, rates hardened slightly during the balance of the period and closed firm at $4-1/8$ bid and 4 per cent offered.

The reports of dealers regarding the rates of prime bills in District No. 2 (New York) and District No. 7 (Chicago) are as follows:

ACCEPTANCE.

<u>Dealers' Rates on Prime Bills.</u>	<u>Range during period</u>		<u>Close</u>	
	<u>Bid</u>	<u>Offered</u>	<u>Bid</u>	<u>Offered</u>

New York.

Maturity

30 day	3-7/8	4-1/8	3-3/4	4	4-1/8	4
60 "	"	"	"	"	"	"
90 "	"	"	"	"	"	"
120 "	3-7/8	4-1/4	"	"	4-1/8	4-1/4
150 "	3-7/8	4-3/8	"	4-1/8	4-1/4	4-3/8
180 "	"	"	"	"	"	"

Chicago

30 "	3-7/8	4-1/4	3-3/4	4-1/8	4-1/8	4
60 "	"	"	"	"	"	"
90 "	"	"	"	"	"	"
120 "	"	"	"	"	"	"
150 "	3-7/8	4-1/2	3-3/4	4-1/4	4-1/8	4-1/2
180 "	"	"	"	"	"	"

Bills of short maturities were favored by purchasers. District No. 1 (Boston) states that the demand was best for 60 and 90 day bills. District No. 7 (Chicago) reports the following distribution: "30-day, 9 per cent; 60-day, 4 per cent; 90-day, 33 per cent; and 180-day, 4 per cent."

X-3345

INDEX OF MIMEOGRAPH LETTERS FORWARDED BY THE
FEDERAL RESERVE BOARD
DURING THE MONTH OF FEBRUARY, 1922

Mimeo No.	Date 1922	SUBJECT
X-1530	February 3	- State Banks admitted to the Federal Reserve System
	10	- " " " " " " " " "
	17	- " " " " " " " " "
	24	- " " " " " " " " "
X-3311	3	- Press Statement-Condition of the Acceptance Market
X-3317	2	- Temporary Advances to Dealers Against Victory Notes
X-3318	2	- Right of Directors of Federal Reserve Banks and Branches to Examine Reports of Examination of Member Banks
X-3320	4	- Discount and Premium on United States Securities
X-3323	2	- Press Statement - Review of the Month
X-3324	6	- Letter from Federal Reserve Bank of Boston re Insurance on Building
X-3322	8	- Negotiability of Promissory Notes Secured by Chattel or Real Estate Mortgages.
X-3326	11	- Special Reports Leased Wire Operations.
X-3328	14	- Member Bank Supervision
X-3329	15	- Bill to enlarge Powers of Farm Loan Banks
X-3333	18	- Monthly Reports of Clearing Operations and of Member and Non-member Banks in District, Forms 170 and 170-a.
X-3335	18	- Annual Election of Officers and Approval of Salaries by Federal Reserve Board.
X-3337	21	- Wire Transfers of Funds
X-3339	23	- Expense Main Line, Leased Wire System, January, 1922.
X-3342	27	- Notation on blank checks of member banks indicating branch to which they should be sent for collection.
St. 2596		Maturity distribution of Certificates on Balance Sheet, Form 34.
St. 2608		Schedule on Personnel for 1921 Annual Report.

FEDERAL RESERVE BOARD
GOLD SETTLEMENT FUND

X-3346
Washington, D. C.
March 3, 1922.

Summary of transactions for period ending March 2, 1922.

(CONFIDENTIAL)

Federal Reserve Bank of	Balance last statement Feb. 23, 1922.	Gold Withdrawals	Gold Deposits	Aggregate withdrawals and transfers to Agent's fund	Aggregate deposits and transfers from Agent's fund	TRANSFERS	
						Debits	Credits
Boston	\$ 26,252,840.08	\$ 667,064.03	\$ 12,100.00	\$ 667,064.03	\$ 12,100.00	\$ 4,000,000.00	\$ -
New York	77,409,190.18	1,355,600.00	25,060.00	1,355,600.00	25,060.00	2,000,000.00	-
Philadelphia	56,890,838.92	928,645.00	10,503,500.00	928,645.00	10,503,500.00	-	2,000,000.00
Cleveland	39,438,419.11	1,203,936.23	1,000,000.00	1,203,936.23	1,000,000.00	-	-
Richmond	31,819,567.20	1,044,161.49	3,000,000.00	1,044,161.49	3,000,000.00	-	-
Atlanta	28,049,492.70	663,261.65	3,050.00	663,261.65	3,050.00	-	-
Chicago	101,556,763.18	917,500.00	3,225,300.00	10,917,500.00	3,225,300.00	-	4,000,000.00
St. Louis	20,727,537.95	845,495.35	200.00	845,495.35	200.00	-	-
Minneapolis	32,360,252.92	479,200.00	2,001,400.00	479,200.00	2,001,400.00	-	-
Kansas City	47,509,574.64	595,200.00	1,000,561.88	5,595,200.00	1,000,561.88	-	-
Dallas	18,549,017.27	849,649.96	1,000,000.00	849,649.96	1,000,000.00	-	-
San Francisco	37,588,186.24	1,075,420.00	4,503,200.00	1,075,420.00	5,448,700.00	-	-
Total	\$ 518,151,680.39	\$ 10,625,133.71	\$ 26,274,371.88	\$ 25,625,133.71	\$ 27,219,871.88	\$ 6,000,000.00	\$ 6,000,000.00

Federal Reserve Bank of	Settlements from February 24, 1922 to March 2, 1922 inclusive.				Balance in fund at close of business Mar. 2, 1922.	Summary of changes in ownership of gold by banks through transfers and settlements.	
	Net Debits	Total Debits	Total Credits	Net Credits		Decrease	Increase
Poston	\$ 928,534.00	\$ 100,857,486.22	\$ 99,928,952.22	\$ -	\$ 20,669,342.05	\$ 4,928,534.00	\$ -
New York	26,301,307.60	408,064,569.01	381,763,261.41	-	47,777,342.58	28,301,307.60	-
Philadelphia	-	131,917,985.52	140,404,364.29	8,486,378.77	76,952,072.69	-	10,486,378.77
Cleveland	-	93,728,923.28	99,088,290.11	5,359,366.83	44,593,849.71	-	5,359,366.83
Richmond	1,228,760.72	112,629,223.20	111,400,462.48	-	32,546,644.99	1,228,760.72	-
Atlanta	1,080,224.84	43,105,233.84	42,025,009.00	-	26,309,056.21	1,080,224.84	-
Chicago	-	198,973,500.23	200,932,953.11	1,959,452.88	99,824,016.06	-	5,959,452.88
St. Louis	-	92,370,583.13	96,862,521.18	4,491,938.05	24,374,180.65	-	4,491,938.05
Minneapolis	-	22,044,629.57	23,209,322.71	1,164,693.14	35,047,146.06	-	1,164,693.14
Kansas City	3,403,853.36	77,024,791.70	73,620,938.34	-	39,511,083.16	3,403,853.36	-
Dallas	1,923,778.39	36,264,717.35	34,340,938.96	-	16,775,588.92	1,923,778.39	-
San Francisco	-	55,542,418.27	68,947,047.51	13,404,629.24	55,366,095.48	-	13,404,629.24
Total	\$ 34,866,458.91	\$ 1,372,524,061.32	\$ 1,372,524,061.32	\$ 34,866,458.91	\$ 519,746,418.56	\$ 40,866,458.91	\$ 40,866,458.91

FEDERAL RESERVE AGENTS' FUND

X-3346a
Washington, D. C.
March 3, 1922.

Summary of transactions for period ending March 2, 1922.

(CONFIDENTIAL)

Federal Reserve Agent at	Balance last statement Feb. 23, 1922.	Gold Withdrawals	Gold Deposits	Withdrawals for transfers to bank	Deposits through transfers from bank	Total Withdrawals	Total Deposits	Balance at close of business March 2, 1922.
Boston	\$ 110,000,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 110,000,000
New York	411,000,000	-	-	-	-	-	-	411,000,000
Philadelphia	120,389,260	-	-	-	-	-	-	120,389,260
Cleveland	160,000,000	-	-	-	-	-	-	160,000,000
Richmond	22,295,000	-	8,500,000	-	-	-	8,500,000	30,795,000
Atlanta	66,500,000	4,000,000	500,000	-	-	4,000,000	500,000	63,000,000
Chicago	315,644,500	3,000,000	-	-	10,000,000	3,000,000	10,000,000	322,644,500
St. Louis	66,300,000	2,000,000	1,800,000	-	-	2,000,000	1,800,000	66,100,000
Minneapolis	8,200,000	-	-	-	-	-	-	8,200,000
Kansas City	28,360,000	2,000,000	2,000,000	-	5,000,000	2,000,000	7,000,000	33,360,000
Dallas	1,484,000	-	-	-	-	-	-	1,484,000
San Francisco	200,620,500	7,000,000	-	945,500	-	7,945,500	-	192,675,000
Total	\$ 1,510,793,260	\$ 18,000,000	\$ 12,800,000	\$ 945,500	\$ 15,000,000	\$ 18,945,500	\$ 27,800,000	\$ 1,519,647,760

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OFFICERS OF FEDERAL RESERVE BANKS

X-3347

<u>Chairman & F.R. Agent</u>	<u>Governor</u>	<u>Deputy Governor</u>	<u>Cashier</u>	<u>Asst. Cashiers</u>	<u>Asst. F.R. Agts.</u>	<u>Auditors</u>
<u>BOSTON</u>						
F.H. Curtiss	C.A. Morss	C.C. Bullen W.W. Paddock	Wm. Willett	F.W. Chase E.G. Hult W.N. Kenyon E.M. Leavitt H.A. Saunders L.W. Sweetser	C.F. Gettemy	H.F. Currier
<u>NEW YORK</u>						
Pierre Jay	Benj. Strong	J.H. Case L.F. Sailer G.L. Harrison E.R. Kenzel	L.H. Hendricks* J.D. Higgins* A.W. Gilbert* J.W. Jones* L.R. Rounds* R.M. Gidney*	G.E. Chapin# C.H. Coe# J.E. Crane# W.H. Dillistin# E.L. Dodge# E.C. French# Bethune Grant # W.A. Hamilton# H.M. Jefferson# A.J. Lins# W.B. Matteson# J.L. Morris# H.R. Murray# R.M. O'Hara# J.E. Raasch# Jas. M. Rice# Carl Snyder# S.S. Vansant# I.W. Waters#	Shepard A. Morgan	Francis Oakey(1)
<u>PHILADELPHIA</u>						
R.L. Austin	G.W. Norris	Wm.H. Hutt, Jr.	W.A. Dyer(&)	W.J. Davis S.R. Earl F.W. LaBold C.A. McIlhenny R.M. Miller, Jr. Jas. M. Toy	A.E. Post W.T. Grosscup F.G. Rehfuss(**)	W.I. Rutter, Jr.

- * Controller
- # Manager
- (&) Also Secretary
- (1) Acting Auditor
- (**) Acting Assistant F. R. Agent.

<u>Chairman & F.R. Agt.</u>	<u>Governor</u>	<u>Deputy Governor</u>	<u>Cashier</u>	<u>Asst. Cashiers</u>	<u>Asst. F. R. Agt.</u>	<u>Auditors</u>
<u>CLEVELAND</u>						
D. C. Wills	E. R. Fancher	M. J. Fleming F. J. Zurlinden	H. G. Davis	C. W. Arnold C. L. Bickford D. B. Clouser H. F. Strater W. F. Taylor G. H. Wagner	J. C. Nevin(&)	F. V. Grayson
<u>RICHMOND</u>						
Caldwell Hardy	G. J. Seay	C. A. Peple R. H. Broaddus J. S. Walden(1) A.S. Johnstone(1)	G. H. Keesee	C. V. Blackburn W. W. Dillard Thos. Marshall, Jr. Edw. Waller, Jr. Geo. S. Sloan	R. H. Lee J. G. Fry	E. G. Grady
<u>ATLANTA</u>						
J. A. McCord	M.B. Wellborn	L. C. Adelson J. L. Campbell	M. W. Bell	W. R. Patterson W. B. Roper R. A. Sims J. B. Tutwiler	Ward Albertson C. R. Tidwell	Creed Taylor
<u>CHICAGO</u>						
Wm. A. Heath	J.B. McDougal	C. R. McKay S. B. Cramer J. H. Blair	W. C. Bachman* K. C. Childs* J. H. Dillard* D. A. Jones* O. J. Netterstrom* A. H. Vogt* Clark Washburne*	F. Bateman# R. H. Buss# J. C. Callahan# R. E. Coulter # A. W. Dazey M. A. Delaney# F. R. Hanrahan# W. A. Hanson# E. L. Harris# R. C. Huelsman# F. A. Lindsten# W. K. Lyle# L. G. Pavey# Irving Fischer# F. M. Huston#	W.F. McLallen(&) W.H. White C.G. Rutledge**	F. R. Burgess

* Controller
 # Manager
 (&) Also Secretary
 (1) Assistant to Governor
 ** Acting

<u>Chairman & F.R. Agt.</u>	<u>Governor</u>	<u>Deputy Governor</u>	<u>Cashier</u>	<u>Asst. Cashiers</u>	<u>Asst. F.R. Agts.</u>	<u>Auditors</u>
<u>CHICAGO (Cont'd.)</u>						
				J. H. Rumbaugh# J. G. Roberts# Louis G. Meyer#		
<u>ST. LOUIS</u>						
Wm. McC. Martin	D. C. Biggs	O. M. Attebery	J. W. White	E. C. Adams F. N. Hall W. H. Glasgow A. H. Haill J. W. Rinkleff S. F. Gilmore	C. M. Stewart	E. J. Novy
<u>MINNEAPOLIS</u>						
John H. Rich	R. A. Young	W. B. Goery S. S. Cook F. C. Dunlop*	B. V. Moore	Gray Warren F. G. Norton Harold C. Core L. E. Rast	C. L. Mesher J. F. Ebersole	
<u>KANSAS CITY</u>						
Asa E. Ramsay	J.Z. Miller, Jr.	C.A. Worthington	J. W. Helm	G. E. Barley A. G. Frost Arthur M. McAdams M. W. E. Park John Phillips, Jr. G. H. Pipkin E. P. Tyner	C.K. Boardman(*)	S.A. Wardell
<u>DALLAS</u>						
Wm. F. Ramsey	B.A. McKinney	R. G. Emerson	R. R. Gilbert	R. B. Coleman Fred Harris W. O. Ford J. L. Lumpkin Reese T. Freeman	C. C. Hall D. P. Reordan	Val J. Grund

* Controller
Manager
(* Also Secretary

<u>Chairmen & F.R. Agt.</u>	<u>Governor</u>	<u>Deputy Governor</u>	<u>Cashiers</u>	<u>Asst. Cashiers</u>	<u>Asst. F.R. Agts.</u>	<u>Auditors</u>
<u>SAN FRANCISCO</u> John Perrin	J. U. Calkins	Wm. A. Day Ira Clerk* L. C. Pontious*	W. N. Ambrose	H. S. House Wm. Hale H. N. Mangels F. H. Holman C. D. Phillips Jay L. Reed C. E. Earnhart Mudie McRitchie** H. M. Craft** E. C. Mailliard** Geo. H. Schmidt** C. S. Jernegan**	S. G. Sargent H. C. Breck	F. H. Holman

* Assistant Deputy Governor

** Acting Assistant Cashiers

Corrected to March 16, 1912.

FEDERAL RESERVE BOARD
WASHINGTON

X-3348
March 6, 1922.

SUBJECT: Governors' Conference

Dear Sir:

The Federal Reserve Board has designated Tuesday, May 2, 1922, as the opening date of the next meeting of the Governors of Federal Reserve Banks for conference with the Board and with each other. The meeting will convene at ten A. M. in the Board's Assembly Room in Washington.

The topics which the Board desires to discuss with the Governors will be submitted later and the topics which they may wish to discuss among themselves will be prepared by their own committee.

Very truly yours,

G o v e r n o r .

GOVERNORS OF ALL F.R.BANKS.

FEDERAL RESERVE BOARD
WASHINGTON

March 7, 1922.
A-3349

SUBJECT: Proposed Amendment to Section 25(a).

Dear Sir:

For your information there is enclosed herewith copy of Senate Bill No. 2436 and copy of a letter written by the Board in response to a communication from the Chairman of the Sub-Committee of the Senate Committee on Banking and Currency in which the Board's views with respect to the proposed legislation are set forth.

Very truly yours,

G o v e r n o r

TO THE CHAIRMEN OF ALL FEDERAL RESERVE BANKS.
COPIES TO ALL THE GOVERNORS.

C O P Y

X-3349a
February 27, 1922.

Honorable Truman H. Newberry,
United States Senate.

My dear Senator:

Receipt is acknowledged of your letter of February 24 advising that you have been appointed chairman of the subcommittee of the Senate Committee on Banking & Currency to consider Senate Bill No. 2436, and requesting the Federal Reserve Board to express its opinion with regard to this bill.

The bill proposes to amend section 25(a) of the Federal Reserve Act so as to authorize foreign banking corporations engaged in business of the kinds described in Section 25 of the Act, or organized under the provisions of Section 25(a), to make application for and be admitted to membership in the Federal Reserve System subject to such rules, regulations and conditions as the Federal Reserve Board may prescribe. Under the present terms of Section 25(a) corporations organized under the provisions are expressly prohibited from joining the Federal Reserve System. The Board has had occasion to consider the advisability of legislation for this purpose a number of times during the past year, and as a result of your letter formally considered the matter at its meeting this morning and voted to recommend to your committee the enactment of Senate Bill 2436.

The main reason for legislation authorizing foreign banking corporations to join the Federal Reserve System is that acceptances of non-member banks are bought and sold in the open market at a somewhat higher rate than acceptances of member banks. While the Federal reserve banks themselves do not discriminate in this way against non-member bank acceptances, but base their rates for the purchase of all bankers' acceptances upon the credit standing of the accepting institutions, the fact that in transactions to which the Federal reserve banks are not parties a higher rate prevails in the open market with respect to non-member bank acceptances than to member bank acceptances operates to the disadvantage of accepting institutions which are not members of the Federal Reserve System. The Board believes also that the enactment

Honorable Truman H. Newberry

of the proposed bill is desirable for the reason that it will bring foreign banking corporations into closer contact with the Federal reserve banks and will, therefore, tend toward a unification of the country's banking system as a whole. As the Board senses the opinion which is generally prevalent, sentiment is growing in favor of having the nonmember banks of the country join the Federal Reserve System, and the enactment of this bill would, of course, be a step in that direction.

For the reasons indicated above the Federal Reserve Board approves of Senate Bill 2436. The Board ^{has} not only considered the purpose and the substance of the bill, but has given careful consideration to the form of the bill and believes it to be in all respects satisfactory.

Foreign banking corporations under the supervision of the Federal Reserve Board do not receive domestic deposits to any considerable extent, so that the reserves which they would carry with Federal reserve banks on account of their deposit liabilities would not be as large in proportion to their capital and surplus as in the case of other member banks; but on the other hand they would not be expected to avail themselves of the rediscount privilege to the same extent as other member banks for the amount of eligible paper held by them would not be as great, comparatively speaking, as the amount of such paper normally held by other member banks. Furthermore, the Federal Reserve Board has authority under the present terms of Sections 25 and 25(a), and this authority would not be affected by the enactment of Senate Bill 2436, to require foreign banking corporations to carry reserves against acceptance liabilities, and the Board has prescribed the character and amount of such reserves in Section XIII of its Regulation K, Series of 1920. In so far as it may be found desirable to do so for the purpose of making foreign banking corporations which become members of the Federal Reserve System contribute in a larger degree to the resources of the Federal Reserve System, the Federal Reserve Board may require reserves against acceptance liabilities to be carried in the form of balances with Federal reserve banks.

You will note that under the terms of Senate Bill 2436 foreign banking corporations admitted to membership in the Federal Reserve System would not be subject to examination by examiners of the Comptroller of the Currency or to the limitations prescribed by Section 13 of the Federal Reserve Act upon the exercise by member banks of the power to accept drafts and bills of exchange. The foreign banking corporations are subject to examination by the Federal Reserve Board, and the limitations on the exercise of their acceptance powers are defined in Section XIII of the Board's Regulation K just referred to. These

Honorable Truman H. Newberry

provisions of Senate Bill 2436, which are contained in lines 18 to 25 on the second page, are deemed by the Federal Reserve Board to be necessary in order to make the amendment effective.

For your information and convenience, I am enclosing a copy of the Board's Regulations of the Series of 1920 which contains Regulation K relating to the organization and operation of foreign banking corporations organized under Section 25(a) of the Federal Reserve Act. If there is any further information which the Board can furnish to your committee it will be very glad to do so.

Very truly yours,

(Signed) W. P. G. HARDING

G o v e r n o r .

Enclosure.

C O P Y

X-3349b

67th CONGRESS,
1st Session.

S. 2436

IN THE SENATE OF THE UNITED STATES

August 22, 1921.

Mr. Edge introduced the following bill; which was read twice and referred to the Committee on Banking and Currency.

A BILL

To amend section 25 (e) of the Act approved December 23, 1913, known as the Federal Reserve Act.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 25 (a) of the Act approved December 23, 1913, known as the Federal Reserve Act, as amended by the Acts approved February 27, 1921, and June 14, 1921, be further amended by striking out that paragraph of said section which reads as follows: "Shareholders in any corporation organized under the provisions of this section shall be liable for the amount of their unpaid stock subscriptions. No such corporation shall become a member of any Federal reserve bank," and by substituting in lieu of said paragraph the following:

"Shareholders in any corporation organized under the provisions of this section shall be liable for the amount of their unpaid stock subscriptions.

"Any corporation engaged in business of the kinds described in section 25 of this Act, and any corporation organized under the provisions of this section, may make application to the Federal Reserve

Board, under such rules and regulations as said board may prescribe, to subscribe to stock of the Federal reserve bank of the district within which the applying corporation is located in an amount equal to 6 per centum of the paid-up capital and surplus of the applying corporation. The Federal Reserve Board, subject to such conditions as it may prescribe, may, in its discretion, permit the applying corporation to become a stockholder of such Federal reserve bank. All such corporations becoming members of the Federal reserve system shall be subject to the provisions of this Act which relate specifically to member banks: Provided, That such corporations shall not be subject to examination by examiners of the Comptroller of the Currency under the provisions of the first two paragraphs of section 5240 of the Revised Statutes as amended by section 21 of this Act, and shall not be subject to any limitations upon the exercise of the power to accept drafts and bills of exchange drawn upon them, except such as are imposed by regulations prescribed by the Federal Reserve Board."

FEDERAL RESERVE BOARD

WASHINGTON

X - 3351

March 9, 1922.

SUBJECT: Printing of Federal Reserve Notes.

Dear Sir:

Your attention is invited to the enclosed copy of a letter received from the Assistant Secretary of the Treasury, regarding the printing of Federal Reserve notes. You are requested to give the matter careful consideration and to advise the Board just how far your bank can go in carrying out the suggestions of the Assistant Secretary.

Very truly yours,

G O V E R N O R

Enclosure.

Chairmen of all F. R. Banks
Copies to Governors.

T R E A S U R Y D E P A R T M E N T

Washington

Dear Governor Harding:

Under date of August 31, 1921, I addressed a letter to you advising as to the number of employees in the Bureau of Engraving and Printing engaged in making Federal Reserve Notes, and stated that in planning a reduction in the Bureau force it would be helpful to secure from you some general estimate as to the probable deliveries of Federal Reserve Notes which would be required by the Federal Reserve Board within the period of the next six months. A schedule showing production, delivery from the vault and average daily delivery from the vault, of Federal Reserve Notes during the months of July and August, 1921, and the deliveries for the fiscal years 1919, 1920, and 1921 were also submitted.

On September 27, 1921, you replied that shipments of Federal Reserve Notes to the banks averaged 131,505 sheets and that in your opinion it was unlikely there would be any decrease in these figures during the remaining months of the year. You stated that during the months of January and February, it might be possible that the shipments would decline to about 100,000 or 125,000 sheets daily. Your estimate as to deliveries to be required from the Bureau for six months from the date of your letter was 225,000 sheets of Federal Reserve Notes daily, part of which would be used in building up a reserve stock.

On February 1, 1922, you advised that there had been built up a sufficient stock of Federal Reserve Notes and that

the printing orders hereafter placed by the Board for account of the banks will be to replace week by week notes withdrawn from the reserve stock for shipment to the banks. You estimated that during the next five months, the average daily delivery of Federal Reserve Notes would be 125,000 sheets, and further stated that it was impossible to estimate the average deliveries during the period July 1 to December 31, 1922. You expressed the belief, however, that the average daily delivery during the latter part of this year would not exceed 150,000 sheets daily.

The demand for Federal Reserve Bank Notes has been steadily decreasing for some time past and under date of February 7, the Assistant Secretary of the Federal Reserve Board advised that the Board deemed it desirable to reduce the stock of Federal Reserve Bank Notes on hand, and, therefore, requests the discontinuance of the delivery of all Federal Reserve Bank Notes until further notice.

In accordance with your letter of February 1, as recited above, and the discontinuance of production of Federal Reserve Bank Notes, the Bureau has adjusted its force to meet the required production. This involved furloughing for one day in seven slightly over 4,000 employees, which plan is in operation at the present moment.

It should be understood that the reduction in working hours which was made to apply to 4,000 employees covers all employees engaged in the production of currency. The requirements for other forms of currency, such as National Bank Notes, Silver Certificates, etc., have only been slightly reduced. The services of certain employees which had been entirely devoted to the production of Federal Reserve Notes and Bank Notes were not dispensed with but were utilized in the production of other forms of currency. This plan seemed more advisable

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than breaking up the organization and discharging a number of employees, under existing business conditions.

I understand that it is now proposed to discontinue for the time being the printing of notes for the New York and Chicago Federal Reserve Banks. The present daily printings for the New York Federal Reserve Bank are 78,500 sheets and for the Chicago Bank are 8,750 sheets, a total of 87,250 sheets. If this action should be taken and the schedule for the other banks maintained, it will leave the Bureau of Engraving and Printing with only 37,750 sheets to print daily.

This further drastic reduction in the requirements for Federal Reserve Notes, amounting to 87,250 sheets, will mean a further readjustment in the organization and personnel of the Bureau of Engraving and Printing. I fear that such a radical cut in the work will have a far-reaching effect and will cause serious complaint. The employees have accepted the necessity of being laid off one day in seven in good spirit. If it should be necessary to make this reduction two days or more in seven, the loss in earning power would constitute a serious hardship.

I, therefore, beg to inquire if it is possible at this time to look forward for the balance of the calendar year and estimate the need for Federal Reserve Notes and Federal Reserve Bank Notes during that period. With such figures in hand, the Bureau could adjust its organization and personnel to approximately the monthly average production required. I make this suggestion with the understanding that the New York and Chicago Federal Reserve banks could probably not go through the balance of this year without calling for any new printing of Federal Reserve Notes and that other Federal Reserve Banks may be receiving month by month more than their

average requirements for the balance of the year and so might later ask for a reduction or discontinuance of new printings.

This is purely an operating problem of the Bureau of Engraving and Printing and I trust that we may have the co-operation of the Federal Reserve Board and banks in meeting a situation which at best will prove embarrassing to a large number of employees.

Sincerely yours,

(Signed) Eliot Wadsworth

Assistant Secretary.

Honorable W. P. G. Harding,
Governor, Federal Reserve Board,
Treasury Department.

FEDERAL RESERVE BOARD

WASHINGTON

X-3353

March 9, 1922.

SUBJECT: Currency Payments for Account of United States.

Dear Sir:

The Board has received from the Secretary of the Treasury a copy of his letter, dated March 6, 1922, to the Treasurer of the United States, which gives instructions as to payments of United States currency, with particular reference to the payment of gold certificates and the kinds of currency in which payments shall be made in the different denominations. A copy of this letter is transmitted herewith for your information and for the guidance of your bank with respect to payments for account of the United States.

It is important that this policy be carried into effect as a matter of routine without special comment.

Very truly yours,

G o v e r n o r .

Enclosure.

LETTER TO GOVERNORS OF ALL F. R. BANKS
COPY TO F. R. AGENTS.

TREASURY DEPARTMENT

C O P Y

WASHINGTON

March 6, 1922.

Dear Mr. Treasurer:

In order to reestablish the unrestricted circulation of gold within the United States and restore payments by the Government to the basis which existed before the war, you will until further notice make payments of United States paper currency without distinction as between United States notes, silver certificates and gold certificates, except for the following restrictions as to denominations:

(1) Payments in denominations of \$1 and \$2 shall be made, so far as possible, in silver certificates, and if no silver certificates are available, then in United States notes, or, when available, Federal Reserve Bank notes.

(2) Payments in denominations of \$5 and \$10 shall be made, so far as possible, in United States notes and, when available, in silver certificates. If United States notes and silver certificates are not available in sufficient quantities, it will be the policy in the future as in the past to purchase Federal Reserve notes from the Federal Reserve Banks in the desired amounts. Nothing herein contained, however, shall be deemed to prohibit the payment of \$10 gold certificates on demand, or if no other kinds of currency in that denomination are available.

(3) Payments in denominations of \$20 and upwards shall

- 2 -

be made, so far as possible, in gold certificates, or, when available, in United States notes and silver certificates. Federal Reserve notes already on hand in these denominations may be paid out, but without specific authority therefor in writing Federal Reserve notes will not any longer be purchased from the Federal Reserve Banks for the purpose of making payments in denominations of \$20 and upwards.

It will continue to be the policy of the Treasury to deposit to the credit of the Federal Reserve Banks in the Gold Fund with the Federal Reserve Board the free gold which from time to time becomes available to the Treasury and is not required to make current payments.

The instructions heretofore given under date of June 30, 1920, as modified by the instructions of January 7, 1921, and the general instructions of August 30, 1920, as amended, as to Exchanges, Replacement and Redemption of United States paper currency are modified in accordance herewith.

The Treasury is notifying the Federal Reserve Board of these instructions and requesting that the Federal Reserve Banks follow similar procedure with respect to payments for account of the United States, whether on current payments or on exchange or redemption of United States paper currency.

Very truly yours,

(Signed) A. W. Mellon

Secretary.

The Honorable,

The Treasurer of the United States.

FEDERAL RESERVE BOARD

WASHINGTON

X-3354

March 9, 1922.

SUBJECT: Payments of Gold Certificates.

Dear Sir:

In connection with the letter of the Secretary of the Treasury to the Treasurer of the United States, dated March 6, 1922, a copy of which has been sent you today, it seems to be proper to advise you that the suggestion has been made that Federal Reserve Banks adopt the general policy outlined therein with respect to all payments, making such modifications as may be necessary as to payments for their own account.

The question of resuming payments of gold certificates was, as you will doubtless recall, considered at the Joint Conference of Governors and Chairmen of Federal Reserve Banks, held in Washington in October, 1921. The conference did not at the time favor the resumption of payments of gold certificates. The point has been made that the objections to gold payments which were then raised have been met by developments which have occurred since.

The total gold holdings of the Federal Reserve Banks have increased nearly \$800,000,000 since March 4, 1921, and the combined reserve ratio has risen from 50.8 to 76.7 per cent. The lower discount rates which now prevail at all Federal Reserve Banks give an answer, it is argued, to any criticism which might be raised against the payment of gold certificates on the theory that these payments were intended to reduce the reserves of the Federal Reserve System and furnish an excuse for high discount rates. At the same time, it is feared by some that the great accumulation of gold in the Federal Reserve System, though it may not yet have caused any inflation, offers a constant temptation to the adoption of unsound credit policies and unless some corrective action is taken may lead the country into another period of inflation and speculation.

There seems to be little prospect that there will, in the near future, be any effective demand from the rest of the world for large amounts of the gold accumulated in this country, for it seems that for the present at least the proceeds of any loans which European governments may be able to place in this country will have to be used for reconstruction and for the

- 2 -

purchase of commodities, rather than for the accumulation of gold reserves.

The Federal Reserve Board is not unmindful of the fact that it is important to take into consideration not only the present reserve position of the several Federal Reserve Banks, but their prospective position in view of demands which may be made upon them for credit accommodation as the season advances. While some of the Federal Reserve Banks might feel justified in paying out gold certificates freely, at least until their reserves were reduced to a certain point, others may feel that in view of requirements ahead of them they would not be justified in changing the existing policy. The question then arises - what effect would the adoption of a new policy with respect to gold payments by one Federal Reserve Bank or by a group of Federal Reserve Banks have upon others which feel that their reserve position at the present time is none too high? The Board would be pleased to have, as early as convenient, an official expression of the views of your own Federal Reserve Bank as to the policy which it should adopt, all the circumstances being taken into consideration.

Very truly yours,

G o v e r n o r .

CHAIRMEN ALL F. R. BANKS
COPIES TO GOVERNORS.

FEDERAL RESERVE BOARD
GOLD SETTLEMENT FUND

X-3355
Washington, D. C.
March 10, 1922.

Summary of transactions for period ending March 9, 1922.

(CONFIDENTIAL)

Federal Reserve Bank of	Balance last statement Mar. 2, 1922.	Gold Withdrawals	Gold Deposits	Aggregate withdrawals and transfers to Agent's fund	Aggregate deposits and transfers from Agent's fund	TRANSFERS	
						Debits	Credits
Boston	\$ 20,669,342.05	\$ 616,787.68	\$ -	\$ 616,787.68	\$ -	\$ 2,000,000.00	\$ -
New York	47,777,342.58	1,290,698.00	14,075,000.00	1,290,698.00	14,075,000.00	1,000,000.00	1,500,000.00
Philadelphia	76,952,072.69	812,760.01	2,000,400.00	15,812,760.01	2,000,400.00	1,000,000.00	-
Cleveland	44,593,849.71	1,393,119.44	2,000,100.00	1,393,119.44	2,000,100.00	-	1,000,000.00
Richmond	32,546,644.99	846,352.22	6,095,000.00	5,846,352.22	6,095,000.00	-	1,000,000.00
Atlanta	26,309,056.21	637,950.00	-	9,637,950.00	-	1,500,000.00	-
Chicago	99,824,016.06	933,316.80	50,000.00	10,933,316.80	50,000.00	1,000,000.00	-
St. Louis	24,374,180.65	573,676.45	-	573,676.45	-	-	-
Minneapolis	35,047,146.06	353,750.00	2,000,100.00	5,353,750.00	2,000,100.00	-	1,500,000.00
Kansas City	39,511,083.16	497,913.17	1,009,000.00	497,913.17	1,009,000.00	-	500,000.00
Dallas	16,775,588.92	812,741.31	3,000,000.00	812,741.31	3,000,000.00	-	-
San Francisco	55,366,095.48	774,180.00	3,003,700.00	15,774,180.00	4,325,700.00	-	1,000,000.00
Total	\$ 519,746,418.56	\$ 9,543,245.08	\$ 33,233,300.00	\$ 68,543,245.08	\$ 34,555,300.00	\$ 6,500,000.00	\$ 6,500,000.00

Federal Reserve Bank of	Settlements from March 3, 1922 to March 9, 1922 inclusive.				Balance in fund at close of business Mar. 9, 1922.	Summary of changes in ownership of gold by banks through transfers and settlements.	
	Net Debits	Total Debits	Total Credits	Net Credits		Decrease	Increase
Boston	\$ -	\$ 87,746,069.27	\$ 96,062,033.97	\$ 8,315,964.70	\$ 26,368,519.07	\$ -	\$ 6,315,964.70
New York	-	366,238,218.61	368,245,014.22	2,006,795.61	63,068,440.19	-	2,506,795.61
Philadelphia	-	108,093,444.34	110,449,931.94	2,356,487.60	64,496,200.28	-	1,356,487.60
Cleveland	-	90,785,189.11	91,940,546.90	1,155,357.79	47,356,188.06	-	2,155,357.79
Richmond	3,240,700.69	97,261,068.96	94,020,368.27	-	30,554,592.08	2,240,700.69	-
Atlanta	-	40,022,285.55	47,463,603.06	7,441,317.51	22,612,423.72	-	5,941,317.51
Chicago	81,913.01	215,616,365.35	215,534,452.34	-	87,858,786.25	1,081,913.01	-
St. Louis	1,569,515.89	110,535,106.93	108,965,591.04	-	22,230,988.31	1,569,515.89	-
Minneapolis	2,737,752.19	27,116,405.27	24,378,653.08	-	30,455,743.87	1,237,752.19	-
Kansas City	6,073,377.35	82,310,145.62	76,236,768.27	-	34,448,792.64	5,573,377.35	-
Dallas	-	43,956,830.14	44,183,199.70	226,369.56	19,189,217.17	-	226,369.56
San Francisco	7,799,033.64	53,754,207.38	45,955,173.74	-	37,118,581.84	6,799,033.64	-
Total	\$ 21,502,292.77	\$ 1,323,435,336.53	\$ 1,323,435,336.53	\$ 21,502,292.77	\$ 485,758,473.48	\$ 18,502,292.77	\$ 18,502,292.77

FEDERAL RESERVE AGENTS' FUND

X-3355 a
Washington, D. C.
March 10, 1922.

Summary of transactions for period ending March 9, 1922.

(CONFIDENTIAL)

Federal Reserve Agent at	Balance last statement Mar. 2, 1922.	Gold Withdrawals	Gold Deposits	Withdrawals for transfers to bank	Deposits through transfers from bank	Total Withdrawals	Total Deposits	Balance at close of business Mar. 9, 1922.
Boston	\$ 110,000,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 110,000,000
New York	411,000,000	-	-	-	-	-	-	411,000,000
Philadelphia	120,389,260	5,000,000	-	-	15,000,000	5,000,000	15,000,000	130,389,260
Cleveland	160,000,000	-	-	-	-	-	-	160,000,000
Richmond	30,795,000	3,000,000	-	-	5,000,000	3,000,000	5,000,000	32,795,000
Atlanta	63,000,000	-	2,500,000	-	9,000,000	-	11,500,000	74,500,000
Chicago	322,644,500	8,000,000	10,000,000	-	10,000,000	8,000,000	20,000,000	334,644,500
St. Louis	66,100,000	2,000,000	1,000,000	-	-	2,000,000	1,000,000	65,100,000
Minneapolis	8,200,000	-	-	-	5,000,000	-	5,000,000	13,200,000
Kansas City	33,360,000	-	1,000,000	-	-	-	1,000,000	34,360,000
Dallas	1,484,000	-	-	-	-	-	-	1,484,000
San Francisco	192,675,000	-	-	1,322,000	15,000,000	1,322,000	15,000,000	206,353,000
Total	\$ 1,519,647,760	\$ 18,000,000	\$ 14,500,000	\$ 1,322,000	\$ 59,000,000	\$ 19,322,000	\$ 73,500,000	\$ 1,573,825,760

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TREASURY DEPARTMENT
WASHINGTON

March 7, 1922.

The Governor
Federal Reserve Board.

Sir:
You are advised that the Department has referred to the Comptroller General of the United States, Treasury Department Division, for settlement, the account of the Bureau of Engraving and Printing for preparing Federal reserve notes during the period February 1 to February 28, 1922, amounting to \$160,192.98, as follows:-

Federal Reserve Notes, 1914

	<u>\$5</u>	<u>\$10</u>	<u>\$20</u>	<u>\$100</u>	<u>Total</u>
New York	1,258,000	906,000	162,000	3,000	2,329,000
Philadelphia	109,000	-	8,000	-	117,000
Cleveland	84,000	51,000	25,000	-	160,000
Richmond	2,000	-	8,000	-	10,000
Atlanta	52,000	7,000	6,000	-	65,000
Chicago	72,000	61,000	4,000	2,000	159,000
St. Louis	1,000	-	4,000	-	5,000
Minneapolis	26,000	2,000	-	-	28,000
Kansas City	45,000	-	26,000	-	71,000
San Francisco	108,000	113,000	66,000	-	287,000
	<u>1,757,000</u>	<u>1,160,000</u>	<u>309,000</u>	<u>5,000</u>	<u>3,231,000</u>

3,231,000 sheets at \$49.58, \$160,192.98

The charges against the several Federal Reserve Banks are as follows:

	<u>Sheets</u>	<u>Compen- sation</u>	<u>Plate Printing</u>	<u>Materials</u>	<u>Inc.Com- pensation</u>	<u>Total</u>
New York	2,329,000	\$38,777.85	\$37,194.13	\$28,437.09	\$11,062.75	\$115,471.82
Philadelphia	117,000	1,948.05	1,868.49	1,428.57	555.75	5,800.86
Cleveland	160,000	2,664.00	2,555.20	1,953.60	760.00	7,932.80
Richmond	10,000	166.50	159.70	122.10	47.50	495.80
Atlanta	65,000	1,082.25	1,038.05	793.65	308.75	3,222.70
Chicago	159,000	2,647.35	2,539.23	1,941.39	755.25	7,883.22
St. Louis	5,000	83.25	79.85	61.05	23.75	247.90
Minneapolis	28,000	466.20	447.16	341.88	133.00	1,388.24
Kansas City	71,000	1,182.15	1,133.87	866.91	337.25	3,520.18
San Francisco ...	287,000	4,778.55	4,583.39	3,504.27	1,363.25	14,229.46
	<u>3,231,000</u>	<u>53,796.15</u>	<u>51,599.07</u>	<u>39,450.51</u>	<u>15,347.25</u>	<u>160,192.98</u>

The Bureau appropriations will be reimbursed in the above amount from the indefinite appropriation "Preparation and Issue of Federal Reserve Notes, Reimbursable", and it is requested that your Board cause such indefinite appropriation to be reimbursed in like amount.

By direction of the Secretary:

Respectfully,
S. P. Gilbert, Jr.
Under Secretary.

DISCOUNT, TRANSIT AND MONEY DEPARTMENTS

A-3357

TABLE 1.

<u>TOTAL EXPENSE - 1921</u>				<u>UNITS HANDLED PER DOLLAR OF EXPENSE</u>										
<u>Name of Bank</u>				<u>DISCOUNT</u>			<u>TRANSIT</u>			<u>MONEY</u>			<u>COMBINED</u>	
	<u>Discount</u>	<u>Transit</u>	<u>Money</u>	<u>Number units handled per dollar spent</u>	<u>Index Number</u>	<u>Appar-ent Rank</u>	<u>Number units handled per dollar spent</u>	<u>Index Number</u>	<u>Appar-ent Rank</u>	<u>Number units handled per dollar spent</u>	<u>Index Number</u>	<u>Appar-ent Rank</u>	<u>Weighted Index Number</u>	<u>Appar-ent Rank</u>
Boston	\$ 51,921	\$ 337,101	\$ 199,838	1.59	138	5	151	178	1	741	196	2	181	1
New York	229,048	1,000,430	756,234	.65	57	11	90	106	4	948	250	1	155	2
Philadelphia	50,316	475,109	264,441	3.02	263	1	114	134	2	397	104.7	6	132	3
Cleveland	76,947	644,388	355,416	.99	86	9	76	89	9	322	85	7	87	9
Richmond	84,957	488,509	193,511	1.47	128	6	82	96	6	254	67	8	91.9	8
Atlanta	87,925	204,649	223,501	1.81	157	2	99	116	3	504	133	3	130	4
Chicago	156,576	965,525	1,473,422	1.64	143	3	71	84	10	138	36	12	60	12
St. Louis	76,559	431,331	233,214	1.04	90	8	80	94	7	398	105.0	5	97	6
Minneapolis	94,690	389,602	273,492	1.15	100	7	59	69	12	185	49	10	66	10
Kansas City	146,796	646,854	192,903	.93	81	10	89	105	5	223	59	9	92.4	7
Dallas	90,617	361,056	83,789	1.63	142	4	78	92	8	401	106	4	103	5
San Francisco	270,879	664,516	275,583	.57	50	12	65	76	11	178	47	11	64	11
Average	\$118,103	\$ 550,756	\$ 377,112	1.15	= 100		85	= 100		379	= 100		100	7

TABLE 2.

<u>TOTAL NUMBER OF EMPLOYEES - 1921</u>				<u>NUMBER OF UNITS HANDLED BY EACH EMPLOYEE</u>										
<u>Name of Bank</u>	<u>Discount</u>	<u>Transit</u>	<u>Money</u>	<u>DISCOUNT</u>			<u>TRANSIT</u>			<u>MONEY #</u>			<u>COMBINED</u>	
				<u>Number units handled by each employee</u>	<u>Index Number</u>	<u>Apparent Rank</u>	<u>Number units handled by each employee</u>	<u>Index Number</u>	<u>Apparent Rank</u>	<u>Number units handled by each employee</u>	<u>Index Number</u>	<u>Apparent Rank</u>	<u>Weighted Index Number</u>	<u>Apparent Rank</u>
Boston	24	209	128	3,445	118	8	243,236	153	1	1,152,170	90	6	128	2
New York	94	651	388	1,587	55	11	138,879	87	10	1,846,711	144	1	104	5
Philadelphia	28	261	90	5,428	186	1	208,830	131	3	1,163,829	91	5	126	3
Cleveland	15	271	92	5,075	174	3	179,762	113	4	1,243,511	97	4	112	4
Richmond	36	263	64	3,468	119	7	149,279	93.7	7	769,461	60	11	90	9
Atlanta	30	87	74	5,315	182	2	233,748	147	2	1,530,008	119	3	142	1
Chicago	65	510	200	3,949	136	4	135,183	85	11	1,015,833	78	7	87	11
St. Louis	33	206	94	2,420	83	9	163,266	102	5	985,387	77	8	93.1	7
Minneapolis	29	178	31	3,765	129	6	128,658	81	12	1,628,978	127	2	92.9	8
Kansas City	57	383	55	2,388	82	10	150,043	94.2	6	780,889	61	10	89	10
Dallas	38.2	191	38.4	3,859	133	5	146,686	92	9	878,102	68	9	94	6
San Francisco	109.4	291.9	84.4	1,419	49	12	148,658	93	8	581,065	45	12	75	12
Average	46.6	292	111.6	2,912 =	100		159,300 =	100		1,282,017 =	100		100	

Number of pieces sorted.

TREASURY DEPARTMENT

Office of Cashier.

DAILY STATEMENT

U. S. PAPER CURRENCY

192

UNITED STATES	SILVER	GOLD
NOTES	CERTIFICATES	CERTIFICATES.

TREASURER'S CASH BALANCE:

Ones
 Twos
 Fives
 Tens
 Twenties
 Fifties.

Total

TREASURER'S RESERVE SUPPLY:

Ones
 Twos
 Fives
 Tens
 Twenties
 Fifties.

Total

AMOUNT AVAILABLE FOR SHIPMENT FROM
TREASURER'S CASH AS SHOWN ABOVE:

Ones
 Twos
 Fives
 Tens
 Twenties.
 Fifties

Total

U. S. CURRENCY DELIVERED FOR DESTRUCTION . .
 FREE SILVER
 FREE GOLD

FEDERAL RESERVE BOARD

WASHINGTON

X-3359
March 13, 1922.

SUBJECT: Decision in Atlanta Par Clearance Case.

Dear Sir:

There is enclosed herewith, for your information, copy of the opinion rendered by Judge Beverly D. Evans of the United States District Court in Georgia, in the litigation between the Federal Reserve Bank of Atlanta and a group of non-member banks in Georgia, as received by the Federal Reserve Board in telegraphic form.

Very truly yours,

G o v e r n o r .

ENCLOSURE

GOVERNORS OF ALL F.R. BANKS
COPY TO CHAIRMEN

"Beverly D. Evans District Judge:

This case was heard by me on its merits and, after argument and due consideration I find as follows:

1. Under sections 13 and 16 of the Federal Reserve Act the Federal Reserve Banks are empowered to accept any and all checks payable on presentation when deposited with them for collection.
2. Checks thus received must be collected at par. The Federal Reserve Banks are not permitted to accept in payment of checks deposited with them for collection an amount less than the full face value of the checks.
3. In the discharge of its duties with respect to the collection of checks deposited with them, and with respect to performing the functions of a clearing house, the several Federal Reserve Banks are empowered to adopt any reasonable measure designed to accomplish these purposes. To that end a Federal Reserve Bank may send checks to the drawee bank directly, for remittance through the mails, of collections without cost of exchange. If the drawee bank refuses to remit without deduction of the cost of exchange, it is in the power of the several Federal Reserve Banks to employ any proper instrumentality or agency to collect the checks from the drawee bank, and it may legitimately pay the necessary cost of this service.
4. The process of the daily collection of checks, in the exercise of the clearing house functions, is not rendered unlawful because of the fact that of the checks handled two or more of them may be drawn on the same bank.
5. It is a legitimate feature of the clearing house function of a Federal Reserve Bank to publish a par clearance list, that is, a list of banks on which checks are drawn that will be collected at par by the Federal Reserve Banks. But inasmuch as a conclusion may be drawn from the appearance of a bank's name on the par list that it agrees to remit at par, or has agreed to enter the par clearance system, I do not think such list should include the name of any non-member bank, unless such non-member bank consents. I see no objection to including in the par clearance list the names of towns or cities, with a representation that the Federal Reserve Bank will undertake to collect at par checks drawn on any bank (member or non-member) in such town or city.
6. In the inauguration of its par clearance system, I find that the Federal Reserve Bank of the Atlanta District was not inspired by any ulterior purpose to coerce or injure any non-member bank which refused to remit at par. Specifically I find the charge that the Federal Reserve Bank at Atlanta would accumulate checks upon country or non-member banks until they reach a large amount, and then cause them to be presented for payment over the counter, so as to compel the plaintiffs to maintain so much cash in their vaults as to drive them out of business, as an alternative to agreeing to remit at par, is not sustained by the evidence.

7. I find the evidence insufficient to sustain any charge in the bill that the Federal Reserve Bank was acting illegally, or exercising any right it had so as to oppress or injure the plaintiff banks. With regard to the publication of the names of non-member banks on the Federal Reserve Bank's par list while I do not think the evidence justifies a finding that such publication was done to injure or oppress plaintiff banks, nevertheless I do not think the names of plaintiff banks, or any of them, should be included in the list without their consent.

The general result of my findings is, that the plaintiffs are entitled to the writ of injunction against the inclusion of their names on the par list without their consent, but are not entitled to an injunction for any other matter complained against the respondents.

Let an appropriate decree be submitted giving effect to the foregoing findings. This March 11th 1922".

March 13, 1922.

7 351

FEDERAL RESERVE BOARD

WASHINGTON

X-3360

March 15, 1922.

SUBJECT: COST DATA FOR HANDLING CURRENCY

Dear Sir:

The Treasury Currency Committee in its study of the various phases of the currency situation is desirous of obtaining the following information and the Federal Reserve Board suggests that the Federal Reserve Banks furnish the Board, for transmission to the Committee, at the earliest date practicable figures, if available, covering the items listed:

1. Amount of capital investment in cancellation and cutting machinery, including cost of installation.
2. Cost of handling currency on the basis of 1,000 notes:
 - (a) Shipping, postage, insurance, etc.
 - (b) Sorting and counting.
 - (c) Cancelling and cutting.
 - (d) Administrative expenses.
3. Average number of used notes, both fit and unfit, received and counted daily by the banks during the months of January and February 1922.

Very truly yours,

Walter L. Eddy,
Assistant Secretary.

To all Governors of Federal Reserve Banks.

FEDERAL RESERVE BOARD
GOLD SETTLEMENT FUND

X-3361
Washington, D. C.
March 17, 1922.

Summary of transactions for period ending March 16, 1922.

(CONFIDENTIAL)

Federal Reserve Bank of	Balance last statement Mar. 9, 1922.	Gold Withdrawals	Gold Deposits	Aggregate withdrawals and transfers to Agent's fund	Aggregate deposits and transfers from Agent's fund	TRANSFERS	
						Debits	Credits
Boston	\$ 26,368,519.07	\$ 556,310.00	\$ 600.00	\$ 556,310.00	\$ 600.00	\$ 1,500,000.00	\$ -
New York	63,068,440.19	1,565,840.00	12,576,500.00	1,565,840.00	42,576,500.00	1,000,000.00	31,000,000.00
Philadelphia	64,496,200.28	947,930.00	1,001,300.00	8,947,930.00	1,001,300.00	-	-
Cleveland	47,356,188.06	1,212,306.49	3,200.00	1,212,306.49	3,200.00	-	-
Richmond	30,554,592.08	984,020.00	1,500,000.00	984,020.00	1,500,000.00	2,000,000.00	-
Atlanta	22,612,423.72	603,850.31	2,000.00	2,603,850.31	2,000.00	5,000,000.00	-
Chicago	87,858,786.25	947,952.95	2,600.00	30,947,952.95	2,600.00	18,000,000.00	-
St. Louis	22,230,988.31	565,477.50	2,244.50	565,477.50	2,244.50	1,500,000.00	-
Minneapolis	30,455,743.87	495,639.61	1,000,500.00	495,639.61	1,000,500.00	2,000,000.00	500,000.00
Kansas City	34,448,792.64	589,850.00	501,300.00	5,589,850.00	501,300.00	4,000,000.00	500,000.00
Dallas	19,189,217.17	765,267.13	500,000.00	765,267.13	500,000.00	-	500,000.00
San Francisco	37,118,581.84	785,941.31	1,500,000.00	785,941.31	2,731,000.00	-	2,500,000.00
Total	\$ 485,758,473.48	\$ 10,020,385.30	\$ 18,590,244.50	\$ 55,020,385.30	\$ 49,821,244.50	\$ 35,000,000.00	\$ 35,000,000.00

Federal Reserve Bank of	Settlements from March 10, 1922 to March 16, 1922 inclusive.				Balance in fund at close of business Mar. 16, 1922.	Summary of changes in ownership of gold by banks through transfers and settlements.	
	Net Debits	Total Debits	Total Credits	Net Credits		Decrease	Increase
New York	43,450,542.59	429,197,604.28	385,747,061.69	-	90,628,557.60	13,450,542.59	
Philadelphia	-	123,871,052.06	127,354,665.51	3,483,613.45	60,033,183.73	3,483,613.45	
Cleveland	-	92,860,400.54	100,840,130.05	7,979,729.51	54,126,811.08	7,979,729.51	
Richmond	-	106,006,812.11	106,464,432.12	457,620.01	29,528,192.09	1,542,379.99	
Atlanta	-	42,261,476.88	46,512,708.97	4,251,232.09	19,261,805.50	748,767.91	
Chicago	-	206,236,115.28	229,401,424.83	23,165,309.55	62,078,742.85	5,165,309.55	
St. Louis	1,127,584.06	103,428,912.76	102,301,328.70	-	19,040,171.25	2,627,584.06	
Minneapolis	980.19	30,485,907.01	30,484,926.82	-	29,459,624.07	1,500,980.19	
Kansas City	-	70,929,493.19	76,759,137.65	5,829,644.46	31,689,887.10	-	
Dallas	-	42,948,829.51	44,570,708.03	1,621,878.52	21,045,828.56	-	
San Francisco	6,635,827.09	59,594,683.83	52,958,856.74	-	34,927,813.44	4,135,827.09	
Total	\$ 51,214,933.93	\$ 1,409,774,422.35	\$ 1,409,774,422.35	\$ 51,214,933.93	\$ 480,559,332.68	\$ 24,006,081.83	\$ 24,006,081.83

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FEDERAL RESERVE AGENTS' FUND

X-3361 a
Washington, D. C.
March 17, 1922.

Summary of transactions for period ending March 16, 1922.

(CONFIDENTIAL)

Federal Reserve Agent at	Balance last statement Mar. 9, 1922.	Gold Withdrawals	Gold Deposits	Withdrawals for transfers to bank	Deposits through transfers from bank	Total Withdrawals	Total Deposits	Balance at close of business Mar. 16, 1922.
Boston	\$ 110,000,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 110,000,000
New York	411,000,000	-	-	30,000,000	-	30,000,000	-	381,000,000
Philadelphia	130,389,260	5,000,000	-	-	8,000,000	5,000,000	8,000,000	133,389,260
Cleveland	160,000,000	-	-	-	-	-	-	160,000,000
Richmond	32,795,000	3,000,000	-	-	-	3,000,000	-	29,795,000
Atlanta	74,500,000	-	1,500,000	-	2,000,000	-	3,500,000	78,000,000
Chicago	334,644,500	8,000,000	-	-	30,000,000	8,000,000	30,000,000	356,644,500
St. Louis	65,100,000	-	2,000,000	-	-	-	2,000,000	67,100,000
Minneapolis	13,200,000	-	-	-	-	-	-	13,200,000
Kansas City	34,360,000	2,000,000	-	-	5,000,000	2,000,000	5,000,000	37,360,000
Dallas	1,484,000	-	-	-	-	-	-	1,484,000
San Francisco	206,353,000	-	-	1,231,000	-	1,231,000	-	205,122,000
Total	\$ 1,573,825,760	\$ 18,000,000	\$ 3,500,000	\$ 31,231,000	\$ 45,000,000	\$ 49,231,000	\$ 48,500,000	\$ 1,573,094,760

553

FEDERAL RESERVE BOARD
WASHINGTON

X-3362

March 17, 1922.

SUBJECT: Expense Main Line, Leased Wire System, February, 1922.

Dear Sir:

Enclosed herewith you will find two mimeograph statements, X-3362a and X-3362b, covering in detail operations of the main line, Leased Wire System, during the month of February 1922.

Please credit the amount payable by your bank in the general account, Treasurer U. S., on your books, and issue C/D Form 1, National Banks, for account of "Salaries and Expenses, Federal Reserve Board, Special Fund", Leased Wire System, sending duplicate C/D to Federal Reserve Board.

Very truly yours,

Fiscal Agent.

Enclosures.

TO GOVERNORS OF ALL BANKS EXCEPT CHICAGO.

REPORT SHOWING CLASSIFICATION AND NUMBER OF WORDS
TRANSMITTED OVER MAIN LINE OF THE FEDERAL RESERVE
LEASED WIRE SYSTEM FOR THE MONTH OF FEBRUARY, 1922.

From	Bank Business	Per cent of Total Bank Business(*)	Treasury Dept. Business	War Finance Corp. Business	Total
Boston	32,395	3.32	5,464	217	38,076
New York	157,309	16.11	10,329	-	167,638
Philadelphia	46,518	4.76	5,135	-	51,653
Cleveland	69,015	7.07	7,690	557	77,262
Richmond	65,476	6.71	6,061	5,529	77,066
Atlanta	89,882	9.21	9,238	4,271	103,391
Chicago	120,765	12.37	7,918	249	128,932
St. Louis	74,910	7.57	7,732	688	83,330
Minneapolis	36,274	3.72	4,483	14,558	55,315
Kansas City	79,332	8.12	8,639	13,180	101,151
Dallas	61,731	6.32	4,503	213	66,447
San Francisco	<u>142,776</u>	<u>14.62</u>	<u>13,135</u>	<u>9,080</u>	<u>164,991</u>
Total F. R. Banks	976,383		<u>90,327</u>	48,542	1,115,252
Washington	<u>265,364</u>	<u>100.00</u>	<u>136,204</u>	<u>4,946</u>	<u>407,514</u>
Grand Total	1,242,747		226,531	53,488	1,522,766
Percent of Total	81.61%		14.88%	3.51%	
Bank Business	1,242,747 words	or 84.58%			
Treasury Business	<u>226,531</u> "	"	<u>15.42</u>		
TOTAL	1,469,278		100.00%		

FEDERAL RESERVE BOARD
WASHINGTON, D. C.
MARCH 17, 1922.

REPORT OF EXPENSE
MAIN LINE
FEDERAL RESERVE LEASED WIRE SYSTEM FEBRUARY, 1922.

Name of Bank	Operators' Salaries	Operators' Overtime	Extra Compensation	Wire Rental	Total Expense	Pro rata Share of Total Expense	Credits	Payable to Federal Reserve Board
Boston	\$ 250.00	\$ -	-	-	\$ 250.00	\$ 666.36	\$ 250.00	\$ 416.36
New York	789.98	11.89	-	-	801.87	3,233.43	801.87	2,431.56
Philadelphia	225.00	-	-	-	225.00	955.38	225.00	730.38
Cleveland	524.00	-	-	-	524.00	1,419.02	524.00	895.02
Richmond	300.00	-	-	-	300.00	1,346.76	300.00	1,046.76
Atlanta	240.00	-	-	-	240.00	1,848.54	240.00	1,608.54
Chicago (#)	4,890.33	4.00	-	-	4,894.33	2,482.78	4,894.33	2,411.55 (*)
St. Louis	300.00	-	-	-	300.00	1,539.44	300.00	1,239.44
Minneapolis	275.00	-	-	-	275.00	746.64	275.00	471.64
Kansas City	352.82	-	-	-	352.82	1,629.76	352.82	1,276.94
Dallas	182.00	-	-	-	182.00	1,268.48	182.00	1,086.48
San Francisco	395.00	-	-	-	395.00	2,934.37	395.00	2,539.37
Fed. Res. Board				16,821.18	16,821.18			
Total	\$8,724.13	\$15.89	-	\$16,821.18	\$25,561.20	\$20,070.96	\$8,740.02	\$13,742.49
					(a) 5,491.24			(8) 2,411.55
					\$20,070.96			\$11,330.94

(#) Includes salaries of Washington Operators

(8) Amount reimbursable to Chicago

(*) Credit

(a) Includes \$3,942.98 received from Treasury Department, and \$1,548.26 from War Finance Corporation covering business for months of September, 1921 and January, 1922, respectively.

FEDERAL RESERVE BOARD

WASHINGTON, D. C.

MARCH 17, 1922.

7 837

FEDERAL RESERVE BOARD

WASHINGTON

X-3363

March 18, 1922.

SUBJECT: Statement issued by Secretary of Treasury

Dear Sir:

There is transmitted herewith, for your information, copy of a statement issued to the Press today by the Secretary of the Treasury, with regard to payments of gold certificates.

Very truly yours,

G o v e r n o r .

Enclosure.

GOVERNORS OF ALL F. R. BANKS
COPIES TO CHAIRMEN.

X-3363a

COPY

TREASURY DEPARTMENT.

FOR RELEASE, MORNING PAPERS,
Saturday, March 18, 1922.

STATEMENT BY SECRETARY MELLON.

The Secretary of the Treasury announces that the Treasury has now resumed payments of gold certificates in ordinary course of business without demand, and that the Federal Reserve Banks throughout the country will be guided by a similar policy in making current payments for Government account. This action removes the last artificial restriction upon gold payments in this country, though gold has at all times during and since the war been freely paid out by the Treasury and the Federal Reserve Banks whenever demanded in payment of gold obligations.

7 319

FEDERAL RESERVE BOARD
WASHINGTON

March 21, 1922.
X-3364

SUBJECT: Treasury Currency Shipments.

Dear Sir:

There is enclosed herewith, for your information, copy of letter addressed by the Under Secretary of the Treasury to the Treasurer of the United States containing instructions with respect to handling shipments of paper currency presented direct by banks and others to the Treasurer of the United States for redemption.

Yours very truly,

G o v e r n o r .

(Enclosure)

TO GOVERNORS OF ALL FEDERAL RESERVE BANKS.

X-3364a

(COPY)

March 17, 1922.

The Honorable,

The Treasurer of the United States.

Dear Mr. Treasurer:

In order that the instructions embodied in the Secretary's letter of March 6, 1922, may be carried out effectively, you will, until further notice, make direct shipments of United States paper currency to banks and others which present United States paper currency direct to the Treasurer of the United States for redemption, instead of making such shipments through the Federal Reserve Bank of the district as contemplated by the Currency Regulations dated August 30, 1920. In making such return shipments of currency direct to banks and others you will be guided as to denominations and otherwise by the instructions contained in the Secretary's letter of March 6, 1922.

Until further notice you will apply the same policy in making return shipments of United States paper currency upon redemption of Federal Reserve notes, National bank notes and Federal Reserve Bank notes presented direct to the Treasurer of the United States for redemption.

By direction of the Secretary:

Respectfully,

(Signed) S. P. Gilbert, Jr.

Under Secretary.

7 801

FEDERAL RESERVE BOARD

WASHINGTON

X-3365

March 22, 1922.

SUBJECT: Purchase and Sale of Government Securities by Federal Reserve Banks Outside of their own Districts.

Dear Sir:

Paragraph (b) of Section 14 of the Federal Reserve Act, which authorizes Federal Reserve Banks to buy and sell bonds and notes of the United States, etc., provides that such purchases and sales are "to be made in accordance with rules and regulations prescribed by the Federal Reserve Board".

By virtue of the authority vested in it and in accordance with a request received from the Treasury Department, which is desirous that all transactions in Government securities be made through the Federal Reserve Banks, the Board has ruled that whenever any Federal Reserve Bank desires to buy or sell bonds, notes, or certificates of the United States, or any other Government securities, outside of its own district, it shall transmit its order for the purchase or sale of such securities to the Federal Reserve Bank of the district in which such purchase or sale is to be effected.

Very truly yours,

G o v e r n o r .

GOVERNORS AND AGENTS ALL F. R. BANKS

FEDERAL RESERVE BOARD
GOLD SETTLEMENT FUND

X-3366
Washington, D. C.
March 24, 1922.

Summary of transactions for period ending March 23, 1922.

(CONFIDENTIAL)

Federal Reserve Bank of	Balance last statement Mar. 16, 1922.	Gold Withdrawals	Gold Deposits	Aggregate withdrawals and transfers to Agent's fund	Aggregate deposits and transfers from Agent's fund	TRANSFERS	
						Debits	Credits
Boston	\$ 28,738,715.41	\$ 806,115.00	\$ -	\$ 806,115.00	\$ -	\$ 19,000,000.00	\$ -
New York	90,628,557.60	1,578,550.00	7,582,800.00	1,578,550.00	7,582,800.00	-	60,000,000.00
Philadelphia	60,033,183.73	1,009,620.00	8,004,500.00	1,009,620.00	8,004,500.00	9,000,000.00	-
Cleveland	54,126,811.08	1,555,796.68	8,000.00	1,555,796.68	8,000.00	2,000,000.00	-
Richmond	29,528,192.09	849,277.00	-	849,277.00	-	5,000,000.00	-
Atlanta	19,261,805.50	699,276.00	5,600.00	699,276.00	5,600.00	3,000,000.00	-
Chicago	62,078,742.85	1,001,899.05	2,300.00	1,001,899.05	20,002,300.00	17,000,000.00	-
St. Louis	19,040,171.25	691,169.60	-	691,169.60	-	6,000,000.00	-
Minneapolis	29,459,624.07	327,924.17	-	327,924.17	-	2,000,000.00	-
Kansas City	31,689,887.10	510,619.71	-	510,619.71	-	3,000,000.00	-
Dallas	21,045,828.56	749,007.92	750.00	749,007.92	750.00	-	-
San Francisco	34,927,813.44	885,500.00	6,200,800.00	885,500.00	7,994,300.00	-	6,000,000.00
Total	\$ 480,559,332.68	\$ 10,664,755.13	\$ 21,804,750.00	\$ 10,664,755.13	\$ 43,598,250.00	\$ 66,000,000.00	\$ 66,000,000.00

Federal Reserve Bank of	Settlements from March 17, 1922 to March 23, 1922. inclusive.				Balance in fund at close of business Mar. 23, 1922.	Summary of changes in ownership of gold by banks through transfers and settlements.	
	Net Debits	Total Debits	Total Credits	Net Credits		Decrease	Increase
Boston	\$ -	\$ 93,916,267.22	\$ 112,333,257.88	\$ 18,416,990.66	\$ 27,349,591.07	\$ 583,009.34	\$ -
New York	76,912,439.14	439,831,124.94	362,918,685.80	-	79,720,368.46	16,912,439.14	-
Philadelphia	-	127,620,202.85	131,811,682.21	4,191,479.36	62,219,543.09	4,808,520.64	-
Cleveland	-	104,962,028.71	112,360,261.69	7,398,232.98	57,977,247.38	-	5,398,232.98
Richmond	-	109,623,091.90	116,514,704.23	6,891,612.33	30,570,527.42	-	1,891,612.33
Atlanta	-	42,353,126.20	49,994,852.90	7,641,726.70	23,209,856.20	-	4,641,726.70
Chicago	-	203,725,646.59	223,968,025.42	20,242,378.83	84,321,522.63	-	3,242,378.83
St. Louis	-	95,889,823.30	97,233,535.28	1,343,711.98	13,692,713.63	4,656,288.02	-
Minneapolis	-	27,926,980.66	33,717,974.89	5,790,994.23	32,922,694.13	-	3,790,994.23
Kansas City	-	72,889,073.27	78,146,318.46	5,257,245.19	33,436,512.58	-	2,257,245.19
Dallas	-	41,124,590.29	41,605,803.21	481,212.92	20,778,783.56	-	481,212.92
San Francisco	743,146.04	53,010,882.83	52,267,736.79	-	47,293,467.40	-	5,256,853.96
Total	\$ 77,655,585.18	\$ 1,412,872,838.76	\$ 1,412,872,838.76	\$ 77,655,585.18	\$ 513,492,827.55	\$ 26,960,257.14	\$ 26,960,257.14

FEDERAL RESERVE AGENTS' FUND

X-3366a
Washington, D. C.
March 24, 1922.

Summary of transactions for period ending March 23, 1922.

(CONFIDENTIAL)

Federal Reserve Agent at	Balance last statement Mar. 16, 1922.	Gold Withdrawals	Gold Deposits	Withdrawals for transfers to bank	Deposits through transfers from bank	Total Withdrawals	Total Deposits	Balance at close of business Mar. 23, 1922.
Boston	\$ 110,000,000	\$ 10,000,000	\$ -	\$ -	\$ -	\$ 10,000,000	\$ -	\$ 100,000,000
New York	381,000,000	-	-	-	-	-	-	381,000,000
Philadelphia	133,389,260	-	-	-	-	-	-	133,389,260
Cleveland	160,000,000	-	-	-	-	-	-	160,000,000
Richmond	29,795,000	-	-	-	-	-	-	29,795,000
Atlanta	78,000,000	3,000,000	1,000,000	-	-	3,000,000	1,000,000	76,000,000
Chicago	356,644,500	4,000,000	-	20,000,000	-	24,000,000	-	332,644,500
St. Louis	67,100,000	2,000,000	1,500,000	-	-	2,000,000	1,500,000	66,600,000
Minneapolis	13,200,000	-	-	-	-	-	-	13,200,000
Kansas City	37,360,000	-	-	-	-	-	-	37,360,000
Dallas	1,484,000	-	-	-	-	-	-	1,484,000
San Francisco	205,122,000	-	-	1,793,500	-	1,793,500	-	203,328,500
Total	\$ 1,573,094,760	\$ 19,000,000	\$ 2,500,000	\$ 21,793,500	\$ -	\$ 40,793,500	\$ 2,500,000	\$ 1,534,801,260

FEDERAL RESERVE BOARD

WASHINGTON

X-3367

March 24, 1922.

SUBJECT: Action of Federal Reserve Board on Recommendations of Governors' Conferences.

Dear Sir:

Following the last conference of the Governors of the Federal Reserve Banks the Board had correspondence with several of the banks regarding some of the recommendations made at that conference which indicated that there was no general understanding as to the force and effect to be given to such recommendations.

The Governors' conferences consider certain subjects suggested by the Federal Reserve Board and in addition consider other subjects suggested by the Governors and Federal Reserve Banks. Some of the recommendations adopted by the conferences have expressly provided that the recommendations are made "subject to the approval of the Federal Reserve Board", while other recommendations have been made without any express reference to the Board, the conference apparently deciding in each instance whether the subject matter of the particular recommendation is such that the Board would wish to pass upon the matter.

The Board has decided that hereafter it will consider each recommendation made by the Governors' conference in order that it may have an opportunity to express its views upon any of the various subjects, and that until the Board has announced its action with respect to a recommendation the Federal Reserve Banks should make no change in their pre-existing practices on account of the recommendation.

As heretofore, the Board will in most instances merely approve or disapprove the recommendations, and such action will be indicative of the Board's view as to the advisability of putting the recommendations into effect at the various Federal Reserve Banks, but will not be intended as a mandatory direction to the Federal Reserve Banks. Even after such approval or disapproval, each

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Federal Reserve Bank may decide whether or not, in the light of the recommendation and the Board's action thereon and any other circumstances, it will follow the recommendation. If, however, the Board wishes to adopt any recommendation so as to give it the force and effect of a ruling, the Board will so state in its announcement to the Federal Reserve Banks. Similarly, the Board will so specify if for any reason it intends its disapproval as a prohibition against the Federal Reserve Banks putting a recommendation into effect.

Yours very truly,

G o v e r n o r .

TO GOVERNORS AND
FEDERAL RESERVE AGENTS.

836

FEDERAL RESERVE BOARD
WASHINGTON

Y-3368

March 24, 1922.

SUBJECT: Gold Payments.

Dear Sir:

I enclose herewith, for your information, copies of letters from the Secretary of the Treasury, one dated March 21 and the other March 24, 1922, which relate to gold payments by Federal Reserve Banks.

Very truly yours,

Governor.

Enclosure.

GOVERNORS ALL F. R. BANKS EXCEPT N. Y.
COPIES CHAIRMEN ALL F. R. BANKS (including N. Y.)

C O P Y

THE SECRETARY OF THE TREASURY

Washington

X-3368a

March 21, 1922.

My dear Governor:

I have received and noted your letter of March 14, 1922, with the enclosed copy of a letter from Governor Seay of the Federal Reserve Bank of Richmond, with reference to payments of gold certificates. I assume that notwithstanding the position taken by Governor Seay with respect to gold payments by the Federal reserve banks, the Federal Reserve Bank of Richmond will nevertheless be guided by the instructions contained in my letter of March 6th to the Treasurer in making payments for account of the United States. I assume that the Federal reserve banks will also keep in mind that under the law the issue and distribution of United States paper currency is under the supervision of the Secretary of the Treasury and that the Secretary of the Treasury, under the act of March 14, 1900, as amended, is charged with the duty of maintaining the parity of all forms of money with gold. The currency system of the United States is squarely established on a gold basis, and it is a well-recognized attribute of an unrestricted gold standard that gold be not only held in reserve and available for issue in settlement of foreign balances but also circulate freely and without restriction in domestic transactions. This can be done without dissipation of the country's gold supply, and without loss by abrasion, through the internal circulation of gold certificates, and the result should be not the loss of gold, as feared by the Federal Reserve Bank of Richmond, but rather the building up of a secondary gold reserve which will be available again for accumulation in the Federal reserve banks in case of need. So far from encouraging hoarding, this should make it clear to all that all the currency is on the same gold basis, without discrimination in favor of gold, unless the Federal reserve banks themselves should by maintaining an artificial position with respect to gold indicate nervousness about their gold reserves.

I notice that the Federal Reserve Bank of Richmond states that in its opinion the Federal reserve banks should continue, as a "consistent, unalterable policy * * * to accumulate all the current gold of the country." This extreme view apparently arises from the fact that ever since their organization the Federal reserve banks have been accumulating gold and have now come to believe that it is the normal process. I have indicated, in my letters of March 6, 1922, to the Treasurer of the United States and the Federal Reserve Board why I believe that there is no longer any occasion to follow this artificial practice and have stated that the Treasury will follow a different policy. I need hardly add that if the Federal reserve banks should all adopt the policy advocated by the Federal Reserve Bank of Richmond,

the result would be to nullify the gold policy adopted by the Treasury unless the Treasury should itself resume direct issues and redemptions of United States paper currency for the banks of the country, and restore the system of currency distribution which prevailed before the currency regulations of August 30, 1920, were put into effect.

Very truly yours,

(Signed) A. W. Mellon

Secretary.

Hon. W. P. G. Harding,
Governor, Federal Reserve Board,
Washington, D. C.

X-3368b

COPY

THE SECRETARY OF THE TREASURY

Washington.

March 24, 1922.

My dear Governor:

I received your letter of March 16, 1922, and have noted the enclosed copy of the letter of March 14th from the Federal Reserve Bank of Chicago, on the subject of gold payments. The Federal Reserve Bank seems to be under some misapprehension as to the payments it makes for Government account. These payments are not, of course, limited to operations connected with the so-called "Fiscal Agency Functions" of the bank. As depositaries and fiscal agents of the United States, the Federal Reserve Banks handle United States paper currency and coin received for redemption and replacement, and make payments in new currency received from the Treasury. Both redemptions and issues are handled through the Treasurer's account with the Federal Reserve Banks. Under this procedure perhaps 90 per cent of the United States paper currency issued and redeemed goes through the Federal Reserve Banks, and it was intended that in these operations the Federal Reserve Banks would be guided by the instructions given to the Treasurer of the United States in the Secretary's letter of March 6, 1922. To some extent the same is true of other currency payments charged to the Treasurer's account, as upon redemption of Treasury certificates, interest coupons and Treasurer's warrants and checks. In these circumstances it is not clear what the Federal Reserve Bank of Chicago means by the statement that it can comply with the request of the Secretary of the Treasury without changing its present policy.

Very truly yours,

(Signed) A. W. Mellon

Secretary.

Hon. W. P. G. Harding,
Governor, Federal Reserve Board,
Washington, D. C.

FEDERAL RESERVE BOARD

STATEMENT FOR THE PRESS

X-3369

For release in Morning Papers,
Saturday, April 1, 1922.

The following is a review of general business and financial conditions throughout the several Federal Reserve Districts during the month of March, as contained in the forthcoming issue of the Federal Reserve Bulletin.

The outstanding feature in business development during the past few weeks has been the improvement in basic industries, including steel, especially railway equipment, copper, and other metals. A marked increase in the production of automobiles has also been a feature of the month. Building activity which has been on the up-grade for several months past, continues its growth, February permits being about 40 per cent in excess of those of February, 1921, while the advance is still continuing.

As against this favorable trend in the physical volume of production in basic lines is the fact that a variety of conditions have operated to offset the encouraging improvement which has been noted in textiles during the winter months. Prominent among these unfavorable influences is the disturbed relations with labor, but uncertainty as to cost of production and lack of forward orders have produced a depressing effect in those districts where no labor troubles have made themselves felt. No important changes have been observed in other manufacturing lines, such as leather, boots and shoes.

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Agriculturally, the month has been one of favorable development considering the season. Winter wheat prospects are reported good in most parts of the country. Cotton planting indicates increased acreage although a heavy infestation of boll weevil is predicted. A larger use of fertilizer is also reported in some sections. Prospects for deciduous fruits are reported encouraging. Labor conditions in the agricultural regions are regarded as satisfactory. A material increase in the demand for labor, largely the natural seasonal growth, is reported from most districts.

According to official figures, marked, even if still limited, decrease in unemployment is under way. This is partly due to the greater activity of basic industries already referred to, and partly to seasonal growth of demand for labor, but offsetting it must be mentioned the voluntary unemployment growing out of strike conditions, both present and prospective.

In trade, both retail and wholesale, the tendency has been, on the whole, downward, although not pronouncedly so. In certain Districts seasonal activity has resulted in an absolute increase in particular lines of wholesale trade, as, for example, in the case of shoes and dry goods. Retail trade, on the other hand, is uniformly lower than it was a month ago or than it was at this time last year. This is in a large measure due to postponement of buying resulting from the lateness of the season but is also in part due to a longer continuance of unemployment.

The movement of commodities to market during the month has been very satisfactory. Increase in car loadings has been noticeable in many parts of the country. Grain shipments during February have been larger than in any month since October, 1921. A satisfactory movement of livestock and meat products is also reported. Better earnings of railroads demonstrate the growth in freight tonnage which has been a striking feature of recent weeks.

The advance in the index number of wholesale prices shown by the Federal Reserve Board's compilation amounts to 4 points for the month. This change is largely due to the advance in the prices of agricultural products. In wholesale lines some declines have taken place but prices have been tolerably firm, although where they have been so, restriction of the activity of trade has been a feature. The process of evening up prices through interindustrial adjustments is still incomplete.

Financially the month has shown but little change. Discount and interest rates have not moved materially. Foreign trade shows a somewhat further decline with a much closer approach to adjustment of export and import figures both here and abroad. Increasing stability in foreign exchanges, with the exception of marks, has been the rule. Further liquidation of "frozen" loans in the West and South has been effected and reports from these parts of the country show that a satisfactory line of credit is being extended for the planting of new crops. Increasing specie reserves and declining portfolios in Federal Reserve Banks show that there has been no increase in the demand brought to bear by member banks for commercial accommodation.

AGRICULTURE. The quantity of grain stored on the farms on March 1, 1922, was considerably smaller than on March 1, 1921. Stocks of oats have registered the greatest reduction and are 41 per cent less than a year ago, while stocks of wheat are 40 per cent less, stocks of barley 37 per cent less and stocks of corn 16 per cent less. The condition of winter wheat has shown marked improvement during March. District No. 10 (Kansas City) reports that the wheat plant is making a very favorable showing in the eastern and southern parts of Kansas, and that recent rains and snows in Oklahoma have greatly aided the crop. The drought has been broken in the Texas Panhandle, according to District No. 11 (Dallas), and that section now has the brightest crop outlook in many years. Reports also indicate that the condition of winter wheat is good in District No. 8 (St. Louis), but severe sleet and ice storms have caused considerable damage to winter grains in District No. 7 (Chicago). District No. 9 (Minneapolis) states that winter wheat is in splendid condition, as it has been well protected by snow. Plowing and preparation of soil for corn is now in progress in most of the southern states and seeding of oats is under way in Missouri, Kansas and Oklahoma. Planting of sugar cane in Louisiana has been hampered by wet and cold weather, but the cane already planted is reported to have escaped damage.

COTTON. The final ginning report on the 1921 cotton crop showed total ginnings of 7,976,665 running bales. The price of middling upland cotton at New Orleans on March 15 was 16.75 cents, which is the same price as prevailed on February 15. There is a general tendency

throughout the cotton belt to hasten planting of the new crop, as an early start helps to minimize the depredation of the boll weevil. District No. 11 (Dallas) reports some increase in cotton acreage this year, and states that timely rains have put the soil in a condition which should be conducive to the quick germination and growth of the plant. Reports from District No. 6 (Atlanta) indicate an increased acreage and a tendency to use fertilizers. In District No. 5 (Richmond) rain and snow have delayed spring planting, while the generally mild winter has permitted the hibernating of a large number of boll weevils.

TOBACCO. Virginia tobacco sales in February and early March were comparatively small and prices generally low, due to the fact that the bulk of the offerings were barn scrapings and low grades sold to wind up the season's crop. Sales of bright tobacco in Virginia to March 1st were 60 per cent and of dark tobacco 85 per cent of those in 1920-21. Prices realized for the former averaged lower this season than a year ago, but dark tobacco brought higher average prices. Leaf dealers report improved foreign demand. In Kentucky, the Burley Tobacco Growers Cooperative Association, it is reported, has continued to operate in a very satisfactory manner. It is now evident that the crop is not heavy. A large part has been delivered to the Association and already sold, although some is in storage. Prices have been very satisfactory. A plan is now being inaugurated to organize an association in the dark districts of western Kentucky, and is expected to be completed for handling the 1922 crop.

District No. 3 (Philadelphia) reports no evidence of the improved demand for cigars usually expected at this time of the year, and the

demand is still very uncertain and irregular. Although dealers' stocks are low, they are buying only goods they absolutely need. January sales of revenue stamps for cigars were less than in any month within the past three years.

FRUIT. Movement of citrus fruit to market from California and Florida showed some decline during February. Growers belonging to the California Fruit Growers Exchange received an average price (f.c.b. California) of \$3.39 per box for oranges and \$3.93 per box for lemons in February, as compared with \$2.15 per box for oranges and \$2.09 per box for lemons in February, 1921. The market for Florida oranges is also very strong and substantial premiums are paid for standard sizes.

Prospects for deciduous fruits are thus far excellent, but it must be remembered that there is still danger of frost damage in many parts of the country. District No. 10 (Kansas City) states that the outlook of orchard fruit is very favorable, although there has been some winter killing of peach trees. Orchards are in bloom in most sections of District No. 11 (Dallas) and promise large yields unless damaged by late frosts. District No. 8 (St. Louis) reports increased strawberry crops in Arkansas and Mississippi, and a more careful and scientific treatment of fruit orchards. Shipments of apples from District No. 12 (San Francisco) amounted to 47,335 carloads up to March 4, 1922, as compared with 29,125 carloads shipped in the corresponding period of the previous crop year.

District No. 12 (San Francisco) reports heavy exports of both dried and canned fruits in recent months. Only 8,511,851 cases, or about 15 per cent, of the 1921 pack of California remains in the hands of canners,

and both foreign and domestic demand is increasing. Prices for canned apricots, peaches, pears, and cherries have all advanced since the beginning of the season, but are considerably lower than at this date last year.

GRAIN MOVEMENTS. Receipts of grain at 17 interior centers were larger in February than in any month since October and exceeded January receipts by 7.5 per cent. Corn receipts at these 17 centers were larger than in any month during the past two years, due to heavy increases at Chicago, Indianapolis, Kansas City and Peoria. Wheat receipts were 13.5 per cent larger than in January, and showed particularly large gains at Kansas City, Chicago, and Omaha. Receipts of oats, rye, and barley also increased at interior centers, while there was a slight drop in the receipts of flour. Grain receipts at nine seaboard centers were slightly larger in February than in January due to the heavy movement of corn, although the receipts of wheat, rye, and barley declined. Stocks of grain increased at both interior and seaboard centers. Stocks of corn were much augmented at all reporting centers, whereas stocks of wheat, oats, and barley were somewhat diminished.

FLOUR. February production of flour in most Districts showed an increase over both January, 1922, and February, 1921. In District No. 9 (Minneapolis) the reported February, 1922, production was 1,802,781 barrels, as compared with 1,935,754 barrels for January and 1,839,799 barrels for February, 1921. Eleven leading mills in District No. 8 (St. Louis) reported a decrease of 83,494 barrels from the January, 1922 output, but an increase of 1,872 barrels over the February, 1921 production. In District No. 7 (Chicago) on the other hand, a comparison of February, 1922, figures with January, 1922, and February, 1921, showed increases of

19.5 per cent and 40 per cent respectively. District No. 10 (Kansas City) reports that 80 mills produced 1,498,813 barrels during February, 1922, an increase of 356,503 barrels, or 31.2 per cent over the production of 84 mills reporting in February, 1921. Reports from District No. 12 (San Francisco) showed an increase from 711,292 barrels produced by 57 mills in January to 745,650 barrels produced by 64 mills in February.

Toward the end of February, prices were higher in District No. 7 (Chicago) in response to the higher price of wheat. After March 1, however, the demand subsided. District No. 10 (Kansas City) likewise states that there was a drop in sales at the beginning of March. Throughout the period there has been a good export demand while buying for domestic consumption continues to be for immediate needs only.

LIVESTOCK. Receipts of cattle and calves at 15 western markets during February were 1,345,487 head as compared with 1,128,020 head during January and 835,686 head during February, 1921. Receipts of hogs decreased from 2,832,551 head in January to 2,530,092 head in February, which was 372,015 head less than a year ago. February receipts of sheep were 913,642 head, as compared with 1,101,679 head in January and 972,647 in February, 1921. District No. 10 (Kansas City) remarks that February was notable for the number of stockers and feeders sent to the country. On account of low temperature in some parts of District No. 12 (San Francisco) and the consequent backwardness of pasture lands, California grass fed cattle are expected to come to the market in May, a month later than usual. At present the livestock in the District is reported to be in favorable condition.

Returns from 35 packers show an increase of 1.8 per cent in average weekly sales in February over those of January, 1922 and 34 show a decrease

of 14.2 per cent as compared with a year ago. Higher prices in February were a factor in the increase of dollar sales over those for January. Domestic trade in fresh and cured meats during the early part of March was rather slow on account of the lenten period, reports District No. 7 (Chicago). Export demand for meats and provisions fell off during the first part of March.

COAL. Production of bituminous coal showed an increase of 9 per cent over January and 33 per cent over February last year. The output for the month was 40,951,000 tons, an average of 1,706,000 tons per working day, which is the highest rate of production for February since 1918. Production for the coal year to March 4th was 391,945,000 tons compared with 496,639,000 tons for the previous coal year to March 4, 1921. Stocks in the hands of consumers on January 1st amounted to 47,500,000 tons and there were 7,200,000 tons at the lake docks. Demand has suffered a general falling off, except in District No. 4 (Cleveland). The decrease in general is attributed to the uncertainty as to prices after April 1st, and to the fact that railroad and public utilities have accumulated large stocks and are no longer increasing their reserves.

Production of anthracite coal for the month was 6,762,000 tons, an increase of 8 per cent over January and a decrease of 12 per cent compared with February last year. Demand for both domestic sizes and steam coal is governed by seasonal influences and purchases are sufficient to cover only immediate needs. Although certain large users have stored coal in anticipation of a strike, in the main, consumers do not seem concerned with the fear of a shortage, and retail dealers and domestic consumers alike appear to be desirous of entering the new coal year

with minimum stocks. Consequently producers have been compelled to store a large proportion of their output and their reserves are heavy. Some retail dealers have endeavored to stimulate demand by shading prices, but the practice has not been general. Production of beehive coke for February amounted to 538,000 tons, an increase of 8.5 per cent over January. Consumption and prices are better than last month, a reflection of increased iron and steel operations. Stocks at by-product plants now amount to more than 1,000,000 tons.

PETROLEUM. Reports from all the more important oil fields indicate an increased output of crude oil during February. Due to this increased production and the lessened demand, it is estimated that stocks increased over 8,000,000 barrels during February. District No. 10 (Kansas City) states that during February 430 wells were completed as compared with 499 in January and 771 in February 1921. The average flow per completed well was 156 barrels as compared with 149 barrels in January and 85 barrels in February a year ago. Gross production during February in Kansas, Oklahoma, Wyoming, and Colorado totaled 13,141,692 barrels for the twenty-eight days of the month as compared with 14,375,000 barrels in January and 11,903,000 barrels in the corresponding month last year.

Reports from District No. 11 (Dallas) show a daily average production of 491,404 barrels as compared with 481,165 barrels during January. The north Texas field and the Mexia field were considerably hampered by weather conditions. In this District 223 producing wells were completed with an initial flow of 258,138 barrels. The total production for the District was 13,759,335 barrels as compared with 14,916,130 barrels in January. District No. 12 (San Francisco) also reported an increased average daily production during February. The stored stocks in that District stood at 36,701,810 barrels on March 1 as compared with

22,903,639 barrels on the corresponding date a year ago. Forty-one new producing wells were completed during February, as compared with 52 wells in January.

District No. 11 (Dallas) reports a slight weakness in crude oil prices during the month. Corsicana heavy decreased from 95 cents per barrel to 75 cents per barrel. However, the prices posted at the various fields are now equal to, or higher than, those posted at this time a year ago.

IRON AND STEEL. Further improvement in the iron and steel industry occurred during February although there was some recession in activity early in March. District No. 3 (Philadelphia) reported that plants in that section received less business than those located in other parts of the country and were operating at about 45 per cent of capacity as compared with a rate of 60 to 65 per cent elsewhere. Daily iron production in February averaged 53,214 tons as compared with 53,063 tons in January. The output of steel ingots advanced, the net gain amounting to 148,863 tons according to the American Iron and Steel Institute. Unfilled orders of the United States Steel Corporation receded to 4,141,069 tons at the end of February, the lowest total since December 1914. The decrease of over 100,000 tons as compared with unfilled orders at the end of January is, however, largely attributable to the increased activity that prevailed in the steel mills during February. Demand from automobile manufacturers is better and considerable buying is being done by the railroads. Prices of some products such as plates, bars and shapes advanced in March and that is true also of some grades of pig iron. Nevertheless, the upward movement is by no means general and as a matter of fact declines have occurred in certain grades of pig iron, while the average of steel prices shown by the composite figure compiled by the Iron Age for March 7 was below the average of the same date a month ago.

AUTOMOBILES. District No. 7 (Chicago) reports increased activity in both production and shipment of automobiles during February. Manufacturers who reported 81,474 passenger cars built in January, show an output of 107,626 cars during February or an increase of 32.1 per cent over January. Truck production of companies reporting 8,832 trucks built in January, was 12,443 during February, or an increase of 40.9 per cent. Production is also increasing in District No. 4 (Cleveland) but buyers are not purchasing for stock but against sales. There has been an improvement in the automobile body business in that section although automobile axle business is probably not in excess of a year ago.

NONFERROUS METALS. Due to the announcement that a number of copper mines were to reopen, the demand for the metal slackened in February. On March 15, however, the price of copper (New York, net refinery) was 12.75 cents per pound as compared with 12.50 cents on March 1. The export demand lately has taken so much copper off the market that producers generally have not cared to attract domestic trade by price cutting. Copper production in February amounted to 37,415,808 pounds as compared with 25,848,284 pounds in January, but was less than 50 per cent of the amount produced during February, 1921. District No. 10 (Kansas City) reports declines in both shipments and prices of zinc ores from the January record for the Missouri-Kansas-Oklahoma zinc and lead mines, the total shipments of zinc ore being 27,043 tons as against 28,431 tons during January. Shipment of lead ores showed a material increase over January and over February a year

ago. Production conditions gradually improved during the month in this District. Both lead ores and zinc ores registered a notable increase in price during February. Stocks of zinc on hand at the end of February were 64,124 tons as compared with 65,678 tons at the end of January. The total production of zinc was 22,513 tons in February as compared with 23,706 tons in January. Conditions in the gold, silver, lead and zinc mining industries in District No. 12 (San Francisco) continued to improve slowly during February.

COTTON TEXTILES. The reduced rate of activity in the cotton textile industry which was reported a month ago, subsequently became even more pronounced. The extensive strikes in certain sections of New England have not stimulated activity in other parts of the country, and cotton consumption dropped from 526,562 bales in January to 473,073 bales during the month of February. In New Hampshire and Rhode Island the reduction in the amount of cotton consumed amounted to 45 and 26 per cent, respectively, although the full effects of the strike were not felt until the middle of February. Mill operations increased slightly in Connecticut and Vermont but were substantially unchanged in Maine and showed a slight loss in Massachusetts. The cotton goods market in District No. 1 (Boston) was reported to be dull during the first three weeks of March and print cloths sold lower than at any time since the beginning of the year. The southern mills were also feeling the influence of lessened demand and District No. 5 (Richmond) reported the industry to be "largely on a hand to mouth basis". In District No. 6 (Atlanta) production in both cloth and yarn mills de-

creased according to the reports received from representative mills located in that section. Forty-one cloth mills showed a reduction in the yardage output during February of 3.6 per cent as compared with January, but an increase of 42.2 per cent as compared with a year ago. Shipments increased 1.8 per cent as compared with January and 72.5 per cent as compared with February, 1921. Orders on hand at the end of the month were 4.7 per cent below those on hand at the end of the preceding month but were 53.3 per cent above those on hand a year ago. The reduction in the output of 38 yarn mills amounted to 17.6 per cent during the month as compared with January but was nevertheless 33.8 per cent above the output for February, 1921. Yarn shipments fell 9.7 per cent but were 35.6 per cent greater than a year ago. Orders on hand at the end of the month dropped 15.5 per cent as compared with January and were 13.8 per cent above the amount outstanding at the end of February, 1921.

WOOLEN TEXTILES. Activity in woolen textiles showed a slight improvement during February, according to the statistics of active and idle machinery and percentages of idle hours reported by the Bureau of the Census. The percentages of idle looms to total reported fell in all cases. For looms wider than 50" reed space the percentage of idle machinery on March 1 was 31.5 as compared with 34.3 at the beginning of February. The corresponding percentages for looms 50" reed space or less were 27.1 and 27.2 respectively. There was a reduction in the percentage of idle

carpet and rug looms from 22.4 to 21.2. The percentage of idle woolen spindles fell from 27.0 to 20.1 and that of worsted spindles rose from 14.3 to 14.4. The percentages of idle hours to total reported were also less in the case of weaving machinery, the figures for looms wider than 50" reed space being 34.1 per cent on March 1 as compared with 35.2 per cent at the beginning of February. The corresponding figures for looms 50" reed space or less were 31.9 per cent and 32.0 per cent. The percentages of idle hours for carpet and rug looms was reduced to 23.1 from 23.9 for the preceding month. Percentages of idle spindle hours fell in the case of woolen spindles from 25.4 at the beginning of February to 18.4 on March 1, while in the case of worsted spindles they rose from 13.9 at the beginning of February to 17.3 on March 1.

Notwithstanding the somewhat better showing for February, reports from various Districts indicate that the situation is not so favorable as it was at the beginning of the year. District No. 1 (Boston) says that woolen and worsted mills in that section, particularly in Rhode Island, are gradually curtailing production. The goods market is stated to be dull, especially in the case of men's wear, and worsteds are not selling as well as woolens. In District No. 3 (Philadelphia), a few firms report "a fairly well maintained volume of business" but in the majority of cases orders are small and merely to fill in. Cancellations, moreover, have increased greatly

during the past two weeks. Production has been curtailed and in some cases plants manufacturing men's wear have been closed down entirely, while manufacturers of women's wear are operating at a much reduced rate. District No. 3 (Philadelphia) reports no particular change in the woolen and worsted yarn situation. Yarn mills are averaging about 85 per cent of operating capacity, but are working almost entirely on contracts placed some time ago. Both in Boston and Philadelphia markets the demand for raw wool has decreased and Boston reports that "prices have shown a slight sagging tendency", although on the whole it seems that the market has held fairly firm and sellers are not disposed to make concessions.

CLOTHING. The sales of ten wholesale clothing firms located in District No. 2 (New York) showed an increase of 3 per cent as compared with January. The 23 reporting firms located in District No. 8 (St. Louis) also recorded a fair increase in February sales. Forward orders were stated to be somewhat better than in recent months although smaller than in former years. Seven wholesale manufacturers of men's clothing in District No. 7 (Chicago) have about completed orders for the spring season and it appears that the "increase in the volume of such orders over those of last year is not so large as the earlier activity seemed to promise". Latest returns show this increase to be about 26 per cent for the season to date. Eleven tailors-to-the-

trade report orders for suits received during February to be 61.4 per cent in excess of orders for the preceding month while the number of suits made increased 69.8 per cent as compared with January.

SILK TEXTILES. The persistence of unsatisfactory conditions in the market for raw silk continues to be the chief obstacle to the resumption of activity in the silk manufacture. Buying on the part of jobbers is in limited quantities and only to satisfy the needs of the moment. production is at a very low rate and stocks are accumulating. The latest reports received from Paterson and North Hudson for March 11 show recessions in activity as compared with a month ago. In Paterson only 3,299 looms out of a total of 15,000 were active as compared with 3,653 a month ago, and the percentage of operating loom hours to total available had fallen to 22.28 as compared with 23.02 on February 11. In North Hudson the percentage of operating loom hours to total reporting was 57.33 as compared with 57.48 a month ago. Active looms amounted to 2,468 out of a total covered of 4,161 as compared with 2,456 a month ago.

HOSIERY. In District No. 3 (Philadelphia) sales of silk hosiery have increased and it is reported that some orders for full-fashioned hosiery are being placed for delivery as far ahead as June, although many call for prompt shipment. In seamless hosiery, both silk and artificial silk, few orders

are being received except for early delivery. The returns made to the Federal Reserve Bank of Philadelphia by 28 firms selling to the wholesale trade do not, however, indicate any improvement in February as compared with the preceding month, as both production figures and unfilled orders on hand at the end of the month showed a decline, output being 3.1 per cent below that of January (in dozens of pairs) while unfilled orders on hand were 17.2 per cent lower. But in the case of nine firms selling to the retail trade a slight increase of 1.8 per cent in output was recorded, and unfilled orders at the end of the month were 18.2 per cent larger. Output and orders were in all cases much above a year ago. The increase in output averaged over 85 per cent for both classes of firms, while the unfilled orders were 148.8 per cent greater in the case of the firms selling to the wholesale trade and 45.7 per cent larger in the case of firms selling to the retail trade. In District No. 6 (Atlanta) the plants manufacturing cotton hosiery booked about the same amount of orders as were reported for the preceding month, but the amount of hosiery manufactured by reporting mills was 5.6 per cent less, although 32.5 per cent above the total manufactured in February 1921. Unfilled orders at the end of the month were 21 per cent below those on hand at the end of January.

UNDERWEAR. In February, 1922, reports were received from 53 mills producing underwear as compared with 55 in

January, and 63 in February, 1921. Actual production during the month continued to show decided progress, as the amount produced by the 53 mills was greater than the totals reported for January by the 55 reporting mills, and much above the output for the same month in 1921. A year ago the production of 63 reporting mills amounted to only 248,431 dozens or 28.0 per cent of normal; in January, 1922, the production of 55 mills stood at 640,489 dozens or 79.1 per cent of normal; while the most recent figures from 53 mills place production at 663,346 dozens, or 84.1 per cent of normal. Production in February was almost evenly divided between winter and summer underwear, the former amounting to 332,224 dozens, or 74.0 per cent of normal, and the latter being 331,122 dozens, or 97.4 per cent of normal.

Comparative reports received from 36 mills belonging to the Association of Knit Goods Manufacturers of America show an opposite trend from that displayed during the previous month in all items except actual production. New orders received during the month declined 48.5 per cent from 764,944 dozens in January to 393,585 dozens in February. Shipments also declined during the month, 442,194 dozens being shipped as compared with 531,789 dozens in January, a falling off of 16.8 per cent. Unfilled orders rose slightly from 1,261,601 dozens in January to 1,432,368 dozens in February, an increase of 13.5 per cent. Cancellations increased 51.7 per cent amounting to 10,968 dozens in February

as compared with 7,228 dozens in January. Actual production rose slightly from 493,196 dozens in January to 507,022 dozens in February, or 2.8 per cent.

SHOES AND LEATHER. Demand for hides and skins has continued dull, although there were some large sales of packer hides in the second week of March. Prices have receded somewhat from the February levels for packer hides, calf skins, and goat skins. Reports from eight tanners in District No. 7 (Chicago) show slightly larger sales for February than for January. New orders booked in March have been for low-grade leather or specialties. In District No. 3 (Philadelphia), sales of belting leather have shown a moderate increase, while sales of sole leather and upper leathers have decreased. Demand for patent leather has been quite satisfactory, but business in both glazed kid and calf leather has been poor.

February output of shoes is slightly smaller than that of January for most Districts, but would show a slight increase, except in District No. 1 (Boston), if reduced to a daily average basis. Eight firms in District No. 1 (Boston) report total shoe production in February 11.5 per cent less than in January, but 60 per cent greater than in February, 1921. Some New England factories which make novelties for the Easter trade are still quite active, but those producing staple goods are experiencing a seasonal slackness. Production of 47 concerns in District No. 3 (Philadelphia) was 0.9 per cent greater in February than in January, while shipments increased 15.7 per

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cent. New orders, however, declined 13.7 per cent. Large orders have been booked for sport shoes and for white shoes, but business of factories which make high grade shoes has been disappointing. Reports of 28 shoe manufacturers in District No. 7 (Chicago) indicate that production in February was 3.8 per cent less than in January, while shipments increased 10.7 per cent. Unfilled orders of 22 manufacturers were equal on the average to about five weeks' business at the February rate. Merchants are buying only in small quantities and there is an increasing tendency to cancel orders. District No. 8 (St. Louis) states that February sales of 11 reporting interests ranged from 20 per cent less to 8 per cent more than January sales. The demand was centered on low-priced staples, but considerable improvement was noted in the call for novelty goods.

LUMBER. The lumber situation continues to show a slight improvement, but the spring trade is very late this year because of the depression in agriculture, the continued high freight rates, and the difficulty of adjusting costs of production to a lower basis. Buying is as yet conservative and is only to meet immediate needs. However, reports from three lumber associations in District No. 12 (San Francisco) show an increase in production, orders, and shipments compared with January and with a year ago. Production of lumber for four weeks ending February 25 was 347,678,000 feet, an increase of 6.1 per

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cent over the production of the preceding four weeks. Orders received totaled 355,758,000 feet, an increase of 3.5 per cent over January and of 69.4 per cent over February, 1921. Shipments from the same mills increased from 345,249,000 feet in January to 353,234,000 in February, and were 70 per cent larger than in February last year. Logging operators were working at approximately 60 per cent of normal during February compared with 50 per cent the month before.

Conditions in the lumber industry in District No. 6 (Atlanta) have continued to improve, in spite of unfavorable weather conditions. Orders and shipments for 112 mills in February were 247,852,100 and 238,332,768 feet compared with 241,135,404 and 224,732,954 feet for 108 mills in January. Of 73 reporting mills, 57 were operating full time and only three were shut down. Output of southern pine mills in District No. 11 (Dallas) decreased from 85,572,937 feet for 41 mills during January to 82,699,889 feet for 42 mills during February. New orders during the month amounted to 81,309,962 feet, compared with 73,888,871 feet during January. Despite the large increases in shipments, the unfilled orders of 42 reporting mills on February 28 totaled 51,070,461 as compared with 44,667,936 feet for 41 mills on January 31.

Lumber sales at retail in District No. 9 (Minneapolis)

were 86.7 per cent of those a year ago. February orders and shipments of mills both showed a decrease as compared with January. District No. 8 (St. Louis) reports that the hardwood market following a month or six weeks of softening prices, declined quite noticeably in early March.

BUILDING. The valuation of building permits issued in 166 selected cities amounted to \$141,715,243 in February as compared with \$138,631,902 in January and \$96,023,474 in February, 1921. The value of permits issued was greater during February than during January in seven of the twelve Federal Reserve Districts - No. 1 (Boston), No. 2 (New York), No. 3 (Philadelphia), No. 4 (Cleveland), No. 6 (Atlanta), No. 7 (Chicago), and No. 8 (St. Louis). These increases varied in size from 0.5 per cent for District No. 2 (New York) to 60 per cent for District No. 8 (St. Louis). The remaining five Districts reported decreases varying from 11 per cent for District No. 11 (Dallas) to 26 per cent for District No. 9 (Minneapolis).

The value of permits issued in February, 1922, was greater than in February, 1921, in all of the Federal Reserve Districts, except No. 7 (Chicago) and No. 9 (Minneapolis). These increases ranged from 7 per cent for District No. 5 (Richmond) to 284 per cent for District No. 3 (Philadelphia). The value of contracts awarded in seven Federal Reserve Districts (statistics of which are compiled by the F. W. Dodge Company) increased from \$150,164,153 in January to \$161,220,750 in February. Increases occurred in

Districts No. 2 (New York), No. 5 (Richmond), No. 7 (Chicago) and No. 9 (Minneapolis), while contracts in Districts No. 1 (Boston), No. 3 (Philadelphia), and No. 4 (Cleveland) showed slight declines. The value of contracts awarded for residential purposes in seven Districts increased from \$71,228,675 in January to \$71,680,853 in February.

Reports from District No. 1 (Boston) indicate that residential building comprises a smaller proportion of the total construction than in last summer and autumn. District No. 3 (Philadelphia) states that the prevailing building activity is the most promising element in the business situation, and that this activity is largely confined to the construction of small homes and inexpensive apartment houses. District No. 5 (Richmond) reports that the construction outlook is bright, and considerable supplies of materials and loanable funds are available. Reports from District No. 6 (Atlanta) indicate that the housing shortage has been relieved to a great extent. District No. 8 (St. Louis) reports that residential construction is proceeding on a larger scale than at any time since the beginning of the war, while municipalities are starting many important building projects.

EMPLOYMENT: With the exception of the New England district, in which large numbers of employees in the cotton mills of New Hampshire and Rhode Island and, to a lesser extent Massachusetts, are out on strike, the reports concerning the employment situation are distinctly encouraging. The United States Employment Service showed a slight increase of 8,894 (.57 per cent) in numbers of workers employed by 1,428 reporting firms. Losses occurred only in textiles and in paper and printing, the former industry accounting for 19,152 of the total decrease of 19,237. In the State of New York there was an increase of 3 per cent in the number of factory workers between January 15 and February 15, which was the largest monthly gain reported since September. In District No. 3 (Philadelphia) an improvement likewise occurred, as between February 14 and March 15 there was a decrease of 7 per cent in the number of unemployed in the six cities of Altoona, Harrisburg, Johnstown, Philadelphia, Scranton and Williamsport. The questionnaire based on returns from 236 firms reporting directly to the Federal Reserve Bank of Chicago showed that the number employed on February 28 had increased 1.1 per cent as compared with the preceding month, the total number employed at the later date being 131,609. In District No. 9 (Minneapolis) it was stated that winter unemployment had passed its peak and that the demand for farm labor and for building workers was expected to strengthen considerably during the coming month. In Montana considerable improvement had been noted in ^{copper} and zinc mining and in the lumber camps. The Anaconda mines reopened during the past month. District No. 10 (Kansas City) also reports increased activity in outdoor work and the reopening of a number of industrial plants. In the lead and zinc mining fields of Kansas, Missouri and Oklahoma, the situation was better than during the

preceding months, although there was little change in the Rocky Mountain mining districts. District No. 12 (San Francisco) reports "Steadily increasing activity of the lumber mills, the near approach of the Alaska fishing season, and the beginning of railroad and highway construction work" as having resulted in "a steady diminution of unemployment there during the month". Reports from the ten principal lumbering districts show that 60,697 loggers and lumbermen were on the payrolls on February 15 as compared with 54,350 men a year ago.

WHOLESALE TRADE:

Percentage of increase (or decrease) in net sales in
February 1922 as compared with the preceding month
(January 1922)

Dis- trict No.	Groceries		Dry Goods		Hardware		Boots & Shoes	
	Per- centage	Number of Firms Report- ing	Per- centage	Number of Firms Report- ing	Per- centage	Number of Firms Report- ing	Per- centage	Number of Firms Report- ing
2	-6.0	41	0.2	3	-3.0	11	-2.0	8
3	-1.4	50	-5.1	14	0.2	25		
4	-4.4	25	7.1	11	9.5	12		
5	-0.3	48	-2.1	16	-17.6	18	25.2	18
6	-0.2	31	13.4	19	-12.4	21	19.1	8
7	-3.4	24	-12.9	10	6.7	15	15.0	8
9	-1.7	14	-22.9	4	0.5	14	7.2	3
10	2.6	9	0.2	6	17.1	9		
11	6.4	11	19.7	12	-3.1	12		
12	-14.2	31	-4.5	12	-5.5	21	0.3	13

Percentage of increase (or decrease) in net sales in
February 1922 as compared with February 1921

2	-6.0	41	-7.0	3	-20.0	11	-20.0	8
3	-12.7	50	-5.5	14	-16.6	25		
4	-20.7	25	1.3	11	-18.1	12		
5	-12.0	48	-17.4	16	-17.1	18	19.7	18
6	-18.9	31	-13.7	19	-14.8	21	-0.1	8
7	-13.1	24	10.7	10	-13.0	15	-11.9	8
9	-13.4	14	-10.3	4	-30.0	14	83.1	3
10	7.3	9	4.0	6	12.7	9		
11	-16.8	11	-11.7	12	-24.2	12		
12	-17.8	31	-1.3	12	1.1	21	-4.5	13

It is evident from the above table that sales of the four principal wholesale lines for which returns are included compare favorably with a year ago. But the seasonal increases that might be expected at this time are not generally in evidence except in the case of boots and shoes. Dry goods sales in District No. 6 (Atlanta) and District No. 11 (Dallas) however, reflect the opening up of spring buying although in neither District did the increase come up to expectations. District No. 6 (Atlanta) mentioned the bad weather as having had a deterrent effect upon sales. The late date at which Easter comes, together with the very conservative policy pursued by retailers in placing forward orders are factors to be considered in examining sales figures. It is also necessary to keep in mind that February had 4 per cent fewer business days than January.

RETAIL TRADE: Dollar values of retail sales continued to decrease during February as compared with those of January. This appears to be due to the shorter month, and to the large reduction in prices offered in the special sales in order to move winter goods preparatory to the spring season. Sales likewise showed a decrease as compared with last February, undoubtedly because of the severe weather and lateness of Easter. District No. 1 (Boston) reported that the department stores situated in New England cities other than Boston did not do as well in February, relative to a year ago, as they did in January, because of the textile strike prevailing in that part of the country during February, while District No. 5 (Richmond) attributed the falling off in trade in two cities to street car strikes.

February sales of 444 department stores throughout the country decreased 10.5 per cent as compared with February, 1921. The decreases ranged from 3.1 per cent in District No. 1 (Boston) to 19.5 per cent in District No. 11 (Dallas). Stores in all Districts have been laying in stocks of spring

merchandise, so that there has been a general increase throughout the United States in stocks on hand at the end of February, as compared with the end of January, but half the Districts show decreases from the corresponding month last year. The receipt of spring merchandise in quantities naturally increased the average percentage of stocks on hand at the end of each month since January 1 to net sales during January and February, and the percentage at the end of February was 471.5, as compared with 424.4 at the end of January. The ratio of outstanding orders to total purchases during 1921 remains practically unchanged.

PRICES. Prices of most farm products continued to rise during the early part of March and in the case of a few commodities the advance continued through the month. According to the quotations furnished the Federal Reserve Board, grains showed slight reaction about the middle of the month, but the average for the first three weeks of March was higher than for February. Sheep and mutton have continued to show substantial increases and cattle and hogs are slightly higher than they were at the end of February, although in the case of hogs, lower than during the first two weeks of March. Wool prices have remained firm during the month in spite of a smaller demand from manufacturers than had existed earlier in the year. Other leading farm products, such as cotton and hides, have shown the reverse tendency. Raw cotton prices during the first three weeks of March were higher than the February average but there has been a steady downward trend in the market during March. Cattle hides and calfskins were definitely

lower in March than in February.

There has been no uniformity in the movement of the prices of non-agricultural raw materials. Prices of bituminous coal have been gradually reduced each week since early in February and recently some of the independent companies have also reduced their quotations for anthracite. Coke, on the other hand, has advanced in price as a result of the slight improvement in conditions in the iron and steel industry. Prices within the iron and steel industry proper, however, appear to be scarcely any, if at all, higher than last month. In fact, prices of steel rails and certain other commodities were actually lower in March than in February. Copper and tin prices were lower also than in February, but there was a definite trend upward in both markets.

Prices of finished and semi-finished textiles were uneven during March. In the cotton industry prices seemed to be definitely on the decline, while in the woolen industry there was considerable uncertainty and relatively little trading done. Silk cloth prices, on the other hand, are reported to have been firm.

Index numbers for February showed an appreciable advance, the Federal Reserve Board index shifting four points from 138 to 142 (on the basis of prices in 1913 = 100) and the index of the Bureau of Labor Statistics advancing three points. As was pointed out in last month's Bulletin, the most important commodities to increase were farm products. Provisions were also higher as well as certain chemicals, oils, and woolen yarns.

FOREIGN TRADE. The value of exports of merchandise during February dropped to \$251,000,000 which is only \$34,000,000 more than the value of imports for the same month. This excess of merchandise exports over imports is the smallest since September, 1914, and indicates a continuance of the tendency toward a more even balance of trade which has been particularly evident since last November. Imports of gold have declined somewhat in recent months, but in February they were nevertheless on a substantial scale, amounting to \$28,700,000. In February, as in previous months, exports of gold were comparatively insignificant, totaling only between \$1,000,000 and \$2,000,000. It is significant to note that while in consequence of the fall in prices, the value of our export trade has been very largely reduced in the last few months, compared with the same months of the previous year, the value figures still remain substantially above prewar levels. So far as actual quantities are concerned, however, the Federal Reserve Board's foreign trade index shows that foreign shipments have recently been somewhat lower than in the same months of 1913.

FEDERAL RESERVE BOARD

Statement for the Press

X-3370
March 27, 1922.

For immediate release.

The Federal Reserve Board sent the following telegram to all Federal Reserve Banks today:

"Without authorization from Board certain press notices have appeared regarding new regulation as to eligibility of bankers' acceptances in export and import transactions. Board is today releasing the following information:

"Regulation A, Series of 1922, superseding Regulation A, Series of 1920, will be available for distribution probably March 29. That part of new regulation which relates to eligibility of bankers' acceptances in export and import transactions will read as follows:

"A Federal Reserve Bank may rediscount any such bill bearing the indorsement of a member bank and having a maturity at time of discount of not more than three months, exclusive of days of grace, which has been drawn under a credit opened for the purpose of conducting or settling accounts resulting from a transaction or transactions involving any one of the following:

(1) The shipment of goods between the United States and any foreign country, or between the United States and any of its dependencies or insular possessions, or between foreign countries."

The following is the Board's letter of transmittal which will accompany the new regulation:

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'The Federal Reserve Board transmits herewith Regulation A, Series of 1922, superseding Regulation A, Series of 1920.

'No change has been made in the regulation except in that part which deals with bankers' acceptances growing out of the importation or exportation of goods, and that part has been simplified by the elimination of certain matter which appeared in the former regulation. It should be understood, however, that the Board's action in issuing the new regulation with this matter eliminated does not imply any change of view as to the meaning or proper construction of the law, or as to the broad principles which should govern the exercise of the acceptance privilege. The Board is not reversing or in any way modifying any of its former rulings as to bankers' acceptances growing out of the importation or exportation of goods in so far as these rulings have been interpretative of the law, or have laid down broad general principles, the observance of which is, as a result of long experience in the field of international banking, recognized as essential in the proper conduct of the acceptance business. The Board's action is intended merely to allow greater latitude to Federal Reserve Banks for the exercise, each in its own way, of their discretion and judgment, observing always, of course, the express and implied limitation of the law.

'Conditions affecting foreign trade at the present time are essentially different from those which led to the development of the former regulations. Prior to the enactment of the Federal Reserve Act, national banks were without authority to issue bankers' acceptances, and although some State banks had that power very few of them exercised it. During the war, however, there was a rapid growth of the acceptance business stimulated by the abnormal demand for goods and credits, and due to this rapid growth it became necessary for the Federal Reserve Board to make frequent rulings and periodically to issue regulations for the guidance of accepting banks and Federal Reserve Banks in this new field. Regulation A, Series of 1920, constituted the last definite step in the development of bankers' acceptance regulations designed primarily to meet the exigencies of the unusual conditions that existed during and for some time after the war, that regulation containing the substance of all the more important rulings previously issued by the Board.

'Those American banking institutions which have large demands for acceptance credits in foreign transactions have by this time had considerable experience in this field, and the former detailed regulations are no longer thought necessary. Moreover, it is believed that the general advancement of foreign trade, with the resulting benefit to the agricultural and commercial interests which are largely dependent upon foreign markets, can be furthered most effectually at the present time by the substitution of this simpler regulation applicable to acceptances in export and import transactions.

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'The responsibility for passing upon the eligibility of bankers' acceptances offered to the Federal Reserve Banks for rediscount or purchase rests upon the Federal Reserve Banks themselves, and each bank should satisfy itself, in whatever way it deems appropriate, that the acceptances conform to the requirements of the law and the Board's regulation. The Federal Reserve Board will watch carefully the development of the acceptance business under this new regulation with a view of making any later modification that may seem necessary or advisable. The Board will call the attention of the Federal Reserve Banks to any apparent failure to comply with the law or abuse of the acceptance privilege and the Federal Reserve Banks will in turn be expected to keep the Board closely advised in regard to acceptance practices in their districts!

W. P. G. Harding,

G o v e r n o r . ; ;

X-3371

F E D E R A L R E S E R V E B O A R D

STATEMENT FOR THE PRESS

For release in afternoon papers,
Saturday, April 1, 1922.

CONDITION OF THE ACCEPTANCE MARKET

The supply of acceptances during the month ending March 11, in general was relatively small in comparison with the demand until near the close of the period, when the supply tended to increase. District No. 1 (Boston) reports - "The existing supply was inadequate and continued so until well toward the end of February, although there was a slight increase in the number of bills offered." However, in District No. 4 (Cleveland) brokers' portfolios were well filled, and were ample to meet all demands. This decline in the volume of bills in most Districts was due in part to the smaller amount executed by the accepting banks. These institutions, especially in New York, were inclined to hold their bills, due to the comparatively easy condition of the money market during a considerable part of the period, and to the improvement in the position of banks in general. Although the demand for acceptances continued to be

affected by the available supply of government certificates, the dealers' aggregate portfolios in New York declined from about \$66,000,000 to \$40,000,000. Districts No. 7 (Chicago) and No. 12 (San Francisco), however, report an increase in dealers' holdings. In the latter District the total number of bills accepted during February was \$4,426,227, an increase of \$655,161 over January. District No. 10 (Kansas City) attributes the small number of acceptances to the inactivity in the exportation of wheat and flour.

The bills purchased by the Federal Reserve Bank of Philadelphia during February showed a decrease from January in the proportion based on dollar exchange, and an increase in those based on imports. With the exception of Districts No. 4 (Cleveland) and No. 8 (St. Louis), bills were in good demand. This was due largely to the low rates for call money which prevailed throughout the East. Another factor was the anticipation of the tax payment adjustment for March 15. Banks followed the policy of conserving cash for the purpose of meeting withdrawals for income tax payments. Before the middle of the month it became apparent that the need for funds had been overestimated, and thus the acceptance market was used as an outlet for surplus funds. Districts No. 1 (Boston) and No. 3 (Philadelphia) both report that the demand for bills was especially brisk from out-of-town banks, while District No. 2 (New York) stated that local savings banks were active buyers. In District No. 3 (Philadelphia) the majority of sales were made to interior banks. Acceptances with a maturity of between 60 and 90 days were in greatest demand.

Bills moved quite freely at the rates quoted in the various Districts, only Districts No. 4 (Cleveland) and No. 8 (St. Louis)

reporting the local markets somewhat dull. Dealers' rates on prime bills in Districts No. 1 (Boston), No. 2 (New York), and No. 7 (Chicago), were as follows:

	Range during period		Close	
	Bid	: Offered	: Bid	: Offered
<u>Boston:</u>				
All Maturities	4 1/8 and 4 1/2	: 3 7/8 to 4	: 4 to 4 1/8	: 3 7/8 to 4
<u>New York:</u>				
30 day maturity	4 1/8	: 3 7/8 - 4	: 4 1/8	: 3 7/8 - 4
60 " "	"	: " "	: "	: " "
90 " "	"	: " "	: "	: " "
120 " "	4 1/8 - 4 1/4	: 3 7/8 - 4 1/8	: "	: " "
150 " "	4 1/4 - 4 3/8	: 4 - 4 1/8	: 4 1/4 - 4 3/8	: 4 - 4 1/8
180 " "	" "	: " "	: " "	: " "
<u>Chicago:</u>				
30 day maturity	4 1/8	: 4	: 4 1/8	: 3 7/8 - 4
60 " "	"	: "	: "	: " "
90 " "	"	: "	: "	: " "
120 " "	"	: "	: "	: " "
150 " "	4 1/8 - 4 1/4	: "	: 4 1/8 - 4 1/4	: " "
180 " "	" "	: 4 - 4 1/8	: " "	: 3 7/8 - 4 1/8

100

FEDERAL RESERVE BOARD

WASHINGTON

X-3372

March 28, 1922.

SUBJECT: Change in Code for Telegraphic Advice
of Approval of Applications for Membership.

Dear Sir:

Referring to the Board's circular letter X-1828 of February 10, 1920, and enclosed code for use in telegraphic advice of approval of applications of state institutions for membership, you are advised that condition number four, as amended by the Board's letter X-1841 of February 21, 1920, has been further amended so as to read as follows:

"That except with the approval of the Federal Reserve Board, there shall be no change in the general character of your assets or broadening in the functions now exercised by you, such as will tend to affect materially the standard now maintained and required as a condition of membership; that you shall not reduce your capital stock without first having obtained the approval of the Federal Reserve Board; and that you will exercise all powers with due regard to the safety of your customers."

This condition as amended will be applicable to all State banks whose applications for membership are approved on or after May 1, 1922. Please change your copy of the code accordingly.

The underlined portion has been inserted in this condition in order to require State banks hereafter admitted to membership to obtain the approval of the Federal Reserve Board before reducing

X-3372

- 2 -

their capital stock, as is required by law of national banks.

Yours very truly,

W. W. HOXTON,
Secretary.

To Chairmen of all
Federal Reserve Banks.

FEDERAL RESERVE BOARD
GOLD SETTLEMENT FUND

X-3373
Washington, D. C.
March 31, 1922.

Summary of transactions for period ending March 30, 1922.

(CONFIDENTIAL)

Federal Reserve Bank of	Balance last statement Mar. 23, 1922.	Gold Withdrawals	Gold Deposits	Aggregate withdrawals and transfers to Agent's fund	Aggregate deposits and transfers from Agent's fund	TRANSFERS	
						Debits	Credits
Boston	\$ 27,349,591.07	\$ 876,700.00	\$ -	\$ 876,700.00	\$ -	\$ 8,000,000.00	\$ -
New York	79,720,368.46	1,631,590.00	9,079,000.00	1,631,590.00	9,079,000.00	-	19,000,000.00
Philadelphia	62,219,543.09	919,800.00	148,500.00	919,800.00	148,500.00	-	-
Cleveland	57,977,247.38	1,564,074.40	-	6,564,074.40	-	3,000,000.00	-
Richmond	30,570,527.42	998,100.00	-	998,100.00	-	-	-
Atlanta	23,209,856.20	660,095.00	-	660,095.00	-	1,000,000.00	-
Chicago	84,321,522.63	1,091,995.97	10,000,400.00	1,091,995.97	20,000,400.00	5,000,000.00	-
St. Louis	13,692,713.63	644,769.96	2,200.00	644,769.96	2,200.00	1,000,000.00	-
Minneapolis	32,922,694.13	384,241.02	1,002,400.00	2,384,241.02	1,002,400.00	-	1,000,000.00
Kansas City	33,436,512.58	712,504.91	800.00	2,712,504.91	800.00	-	1,000,000.00
Dallas	20,778,783.56	883,030.00	-	9,399,030.00	-	1,000,000.00	-
San Francisco	47,293,467.40	1,098,900.00	1,800.00	1,098,900.00	956,300.00	2,000,000.00	-
Total	\$ 513,492,827.55	\$ 11,465,801.26	\$ 20,235,100.00	\$ 28,981,801.26	\$ 31,189,600.00	\$ 21,000,000.00	\$ 21,000,000.00

Federal Reserve Bank of	Settlements from March 24, 1922 to March 30, 1922 inclusive.				Balance in fund at close of business Mar. 30, 1922.	Summary of changes in ownership of gold by banks through transfers and settlements.	
	Net Debits	Total Debits	Total Credits	Net Credits		Decrease	Increase
Boston	\$ -	\$ 84,527,465.97	\$ 87,520,416.83	\$ 2,992,950.86	\$ 21,465,841.93	\$ 5,007,049.14	\$ -
New York	-	342,040,298.02	361,206,018.94	19,165,720.92	125,333,499.38	-	38,165,720.92
Philadelphia	-	114,792,824.44	119,477,797.43	4,684,972.99	66,133,216.08	-	4,684,972.99
Cleveland	-	94,919,369.49	99,717,306.51	4,797,937.02	53,211,110.00	-	1,797,937.02
Richmond	2,162,649.54	101,574,164.28	99,411,514.74	-	27,409,777.88	2,162,649.54	-
Atlanta	-	40,015,519.67	40,915,688.69	900,169.02	22,449,930.22	99,830.98	-
Chicago	28,158,085.38	208,182,576.34	180,024,490.96	-	70,071,841.28	33,158,085.38	-
St. Louis	-	90,799,662.54	95,857,449.92	5,057,787.38	17,107,931.05	-	4,057,787.38
Minneapolis	3,024,728.51	26,236,265.65	23,211,537.14	-	29,516,124.60	2,024,728.51	-
Kansas City	2,870,555.33	72,777,091.01	69,906,535.68	-	28,854,252.34	1,870,555.33	-
Dallas	-	38,897,655.57	40,073,745.98	1,176,090.41	11,555,843.97	-	176,090.41
San Francisco	2,559,609.84	53,296,241.48	50,736,631.64	-	42,591,257.56	4,559,609.84	-
Total	\$ 38,775,628.60	\$ 1,268,059,134.46	\$ 1,268,059,134.46	\$ 38,775,628.60	\$ 515,700,626.29	\$ 48,882,508.72	\$ 48,882,508.72

FEDERAL RESERVE AGENTS' FUND

X-3373a
Washington, D. C.
March 31, 1922.

Summary of transactions for period ending March 30, 1922.

(CONFIDENTIAL)

Federal Reserve Agent at	Balance last statement Mar. 23, 1922.	Gold Withdrawals	Gold Deposits	Withdrawals for transfers to bank	Deposits through transfers from bank	Total Withdrawals	Total Deposits	Balance at close of business Mar. 30, 1922.
Boston	\$ 100,000,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 100,000,000
New York	381,000,000	-	-	-	-	-	-	381,000,000
Philadelphia	133,389,260	5,000,000	-	-	-	5,000,000	-	128,389,260
Cleveland	160,000,000	-	-	-	5,000,000	-	5,000,000	165,000,000
Richmond	29,795,000	3,000,000	6,500,000	-	-	3,000,000	6,500,000	33,295,000
Atlanta	76,000,000	2,500,000	1,500,000	-	-	2,500,000	1,500,000	75,000,000
Chicago	332,644,500	10,000,000	-	10,000,000	-	20,000,000	-	312,644,500
St. Louis	66,600,000	2,000,000	700,000	-	-	2,000,000	700,000	65,300,000
Minneapolis	13,200,000	-	-	-	2,000,000	-	2,000,000	15,200,000
Kansas City	37,360,000	2,000,000	2,000,000	-	2,000,000	2,000,000	4,000,000	39,360,000
Dallas	1,484,000	-	-	-	8,516,000	-	8,516,000	10,000,000
San Francisco	203,328,500	7,000,000	-	954,500	-	7,954,500	-	195,374,000
Total	\$ 1,534,801,260	\$ 31,500,000	\$ 10,700,000	\$ 10,954,500	\$ 17,516,000	\$ 42,454,500	\$ 28,216,000	\$ 1,520,562,760

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FEDERAL RESERVE BOARD
WASHINGTON

X-3374

March 31, 1922.

SUBJECT: Senate Bill No. 3255

Dear Sir:

For your information there is enclosed herewith a copy of Senate Bill No. 3255 and a copy of the Board's letter to the Chairman of the Senate Committee on Banking and Currency, setting forth its views with respect to the proposed legislation.

Very truly yours,

G o v e r n o r .

(Enclosures)

TO THE FEDERAL RESERVE AGENTS OF ALL THE BANKS
COPY TO GOVERNORS

C O P Y

67th Congress,
2d Session.

S. 3255

X-3374a

IN THE SENATE OF THE UNITED STATES

March 7 (calendar day, March 8), 1922.

Mr. Calder introduced the following bill; which was read twice
and referred to the Committee on Banking and Currency.

A BILL

To amend section 5136, Revised Statutes of the United States,
relating to corporate powers of associations, so as to
provide succession thereof until dissolved, and to apply
said section as so amended to all national banking asso-
ciations.

Be it enacted by the Senate and House of Representatives of
the United States of America in Congress assembled, That section
5136 of the Revised Statutes of the United States be amended so
that the paragraph therein designated as "Second" shall read as
follows:

"Second. To have perpetual succession until it shall be dis-
solved by the act of its shareholders owning two-thirds of its
stock, unless its franchise shall become forfeited by reason of
violation of law, or unless it shall be terminated by the provi-
sion of Act of Congress hereinafter enacted."

SEC. 2. All Acts or parts of Acts providing for the extension
of the period of succession of national banking associations for
twenty years are hereby repealed, and the provisions of paragraph
second of section 5136, Revised Statutes, as herein amended shall
apply to all national banking associations now organized and
operating under any law of the United States.

C O P Y

X-3374b
March 20, 1922.

Hon. George P. McLean, Chairman,
Committee on Banking and Currency,
United States Senate,
Washington, D. C.

My dear Mr. Chairman:

Receipt is acknowledged of your letter of March 15, 1922, in which you ask for the views of the Federal Reserve Board with regard to Senate Bill 3255. This bill, if enacted, would amend Section 5136 Revised Statutes of the United States so as to give to every national banking association, whether now or hereafter organized, "perpetual succession until dissolved by the act of its shareholders owning two-thirds of its stock, unless its franchise shall become forfeited by reason of violation of law, or unless it shall be terminated by the provisions of an act of Congress hereinafter enacted."

The Federal Reserve Board has given careful consideration to the bill and feels that its enactment is very desirable. The Board understands that most of the States grant charters to banking institutions for periods in excess of twenty years, many States, including New York, granting charters which automatically continue forever unless revoked or forfeited, or unless the corporation is dissolved; and the fact that it is possible to obtain charters from the States which are more favorable in this respect than the charters granted to national banks not only is a deterrent to organization under the provisions of the National Bank Act but operates also as an inducement to existing national banks to convert into State institutions.

The proposed legislation is particularly desirable from the standpoint of national banks exercising fiduciary powers granted to them under the provisions of Section 11 (k) of the Federal Reserve Act. The Board has always taken the position that a national bank with trust powers may legally and properly undertake the execution of a trust which may continue for a period beyond the term of its original charter, but, nevertheless, the fact that the national bank has to apply for periodical renewals of its charter seems to be a consideration which handicaps national banks in their competition with State institutions for fiduciary business.

National banks are subject to supervision and examination by the office of the Comptroller of the Currency and may be examined also at the instance of the Federal Reserve Board. Section 2 of the Federal Reserve Act provides that the charter of a national bank may be forfeited for noncompliance with or violation of the Federal Reserve Act in a suit brought by the Comptroller of the Currency under the direction of the Federal Reserve Board, and Section 5239 of the Revised Statutes provides for such forfeiture for violation of the provisions of the National Bank Act in a suit brought by the Comptroller of the Currency on his own account. In view of these statutory provisions, it seems to the Board that ample protection is afforded against possible abuses by national banks of their franchises.

The Board knows of no valid objection to granting perpetual franchises to national banks, subject to the qualifications contained in Senate Bill 3255, and believes that the legislation is entirely consistent with sound banking. The national banking system should be put on an equal footing with the banking system of the various States, so far as is consistent with sound principles, and Senate Bill 3255 will, if enacted, remove one of the unnecessary handicaps under which the national banking system is functioning at the present time.

Yours very truly,

(Signed) W.P.G. HARDING.

G o v e r n o r .

WSL:3

FEDERAL RESERVE BOARD

WASHINGTON

X-3375

April 3, 1922.

SUBJECT: Abstract from Annual Report.

Dear Sir:

I enclose herewith, for your information, two copies of a slightly modified abstract of the last few pages of the annual report of the Federal Reserve Board. This article has been prepared for publication, about the middle of April, in a special edition of the Raleigh (N. C.) News and Observer.

Very truly yours,

G o v e r n o r .

(Enclosure)

ALL F. R. AGENTS
COPIES TO GOVERNORS.

THE FEDERAL RESERVE SYSTEM -
WHAT IT IS AND WHAT IT HAS ACHIEVED.

In order that there may be a clearer understanding of the principles which govern the policies of the Federal Reserve Board and the operations of the Federal Reserve Banks, it seems desirable to review briefly some of the essential features of the Federal Reserve Act, to discuss the measure of authority conferred upon the Federal Reserve Board, the joint and separate powers exercised by the Federal Reserve Board and the Federal Reserve Banks, and to describe concisely the fundamental character and some of the distinctive functions of the Federal Reserve Banks.

No Central Bank

Attention should be called, first of all, to the fact that the Federal Reserve Act did not establish a central bank. On the contrary, it adopted the regional principle and authorized the establishment of not more than 12 banks, to be located in various sections of the country. Each of these banks is practically independent of the others, in operation as well as in local policies. From a legal standpoint these banks are private corporations organized under a special act of Congress, namely, the Federal Reserve Act. Their stockholders are their member banks, each of which is required to subscribe to the capital stock of the Federal Reserve Bank an amount equal to 6 per cent of its own capital and surplus, one-half of which amount is required to be paid in.

Disposition of Earnings

After all necessary expenses of a Federal Reserve Bank have been paid or provided for, the stockholders are entitled to receive an annual dividend of 6 per cent on the paid-in capital stock, which is cumulative. After the dividend claims have been fully met, the net earnings are paid to the United States as a franchise tax, except that the entire earnings are paid into a surplus fund until that fund amounts to 100 per cent of the subscribed capital stock of the Federal Reserve Bank. Thereafter 10 per cent of the net earnings are paid into the surplus fund and the remaining 90 per cent paid to the Government as franchise tax.

Organization

Each bank has nine directors, of which six are elected by the member banks and three are appointed by the Federal Reserve Board. Not more than three directors can be officers or directors of member banks and the three directors appointed by the Federal Reserve Board can not be officers, directors, or stockholders in any bank. Three directors elected by the member banks must be men who are actively engaged in their respective districts in agriculture, commerce, or some other industrial pursuit. As there are 12 Federal Reserve Banks, there are, therefore, 108 Federal Reserve Bank directors, of which only 36 are appointed by the Federal Reserve Board, while the remaining 72 directors are elected by the member banks of the country - nearly 10,000 in number.

Lending Powers.

The law does not contemplate direct competition by the Federal Reserve Banks for business with each other or with national banks, State banks, trust companies, and savings banks. Federal Reserve Banks are not allowed to receive deposits from the public and can accept deposits only from their member banks, from the United States Government, and, solely for the purposes of exchange or collection, from nonmember banks or trust companies. They are not allowed to make loans or advances direct to the public, but can lend only to the United States, to their member banks, and, subject to certain conditions, for periods not exceeding six months, in anticipation of the collection of taxes or the receipt of assured revenues, to States, counties, municipalities, and other political subdivisions in the United States.

The Federal Reserve Banks are not permitted by law to make loans direct to individuals, firms, and corporations, and while they can, under certain restrictions, purchase bills of exchange and bankers' acceptances in the open market, their dealings with the public in the matter of loans are limited to the discounting of notes, drafts, and bills of exchange for member banks, all such paper to be indorsed by the member bank offering it. In lending in this way to their member banks, the Federal Reserve Banks are not authorized by law to use the same discretion and freedom of action that are allowed national banks, State banks, and trust companies, but they must observe the limitations prescribed by law as to the character and maturity of the notes offered them by member banks for discount; except as to notes, drafts, and bills

drawn or issued for agricultural purposes or based on live stock, which a Federal Reserve Bank may discount for a member bank if the maturity does not exceed six months, a Federal Reserve Bank can not discount any paper for a member bank which has longer than 90 days to run, exclusive of days of grace.

The law puts a limitation also upon the character of advances against member banks' notes. A Federal Reserve Bank may make advances to its member banks on their promissory notes for a period not exceeding 15 days, provided such promissory notes are secured by the deposit or pledge of bonds or notes of the United States, or by notes, drafts, and bills of exchange or bankers' acceptances which are themselves eligible for rediscount or purchase by a Federal Reserve Bank. To be technically eligible for rediscount a note must be indorsed by a member bank, its maturity must be within the time limit prescribed by law, and it must have been issued or drawn for agricultural, industrial, or commercial purposes, and it must also be shown that the proceeds of the note have been used or are to be used for such purposes.

As Federal Reserve Banks are not permitted by law to rediscount any paper which does not bear the indorsement of a member bank, it is clear that in order for a Federal Reserve Bank to render financial assistance to those engaged in commerce and industry, in agriculture, or in the raising of live stock, the loans must first be negotiated with member banks. There are many loans, however, which member banks may legally and properly make which can not be rediscounted with Federal Reserve Banks for the reason that the law does not admit of the classification of such paper as eligible. A Federal Reserve Bank, therefore,

can not discount any paper, however good it may be, which is not technically eligible under the terms of the Federal Reserve Act; and, on the other hand, it is entirely within its right in declining to discount notes which, even though technically eligible, are not satisfactory from a credit standpoint.

Federal Reserve Banks are forbidden by law from discounting notes, drafts, or bills covering merely investments, or issued or drawn for the purpose of carrying or trading in stocks, bonds, or other investment securities, except bonds and notes of the Government of the United States.

Reserves

The Federal Reserve Act, as amended, has changed both the amount and character of the reserves which all national banks and State member banks must carry against their deposit liabilities. For a long period of years it has been the practice of American banks to carry as a reserve in cash and on deposit with other banks a certain proportion of their deposits. Before the passage of the Federal Reserve Act the national banks in the three central reserve cities were required to keep in their own vaults as reserve in gold or lawful money an amount equal to 25 per cent of their net deposits, and in other cities and towns they were required to keep a part of their required reserves in cash in their own vaults, while a part might be kept on deposit with other banks. The laws regarding the reserves of State banks varied in the different states. Under the Federal Reserve Act the percentage of reserve required has been substantially reduced, and, as amended, no national bank and no State member bank is required to keep any definite

amount of cash in its own vaults, and whatever amount of cash is kept on hand by the member banks, as deemed necessary by the judgment and experience of their officers, does not count as part of the banks' lawful reserve.

The entire legal reserves of all member banks must be kept on deposit with the Federal Reserve Banks. As a consequence, the cash resources of the Federal Reserve Banks are necessarily very large and their holdings of gold, in particular, constitute a very large proportion of all the gold in the country. The gold held by the Federal Reserve Banks is equal to all the gold that would have been in circulation or held by all the banks throughout the country if there had been no Federal Reserve Banks established.

As the Federal Reserve Banks were made the sole custodians of the legal reserves of all member banks, the object of Congress in throwing safeguards and limitations around their loan transactions is evident. It is necessary that Federal Reserve Banks should keep themselves in a "liquid" position; that is, their bills discounted must be of short maturity and should be readily collectible. The strength of the entire banking system of the United States is directly related to the strength of the Federal Reserve Banks. If the Federal Reserve Banks should allow themselves to get into a weak, over-extended, and unsafe position, all member and non-member banks would be seriously affected.

General Powers and Limitations.

While Congress has placed upon the Federal Reserve Board the responsibility of defining eligible paper, within the meaning of the Federal

Reserve Act, it has intrusted the management of the Federal Reserve Banks, under the general supervision of the Federal Reserve Board, to their own directors. Each Federal Reserve Bank has power to appoint, by its board of directors, such officers and employees as are not otherwise provided for in the Federal Reserve Act and to define their duties, to prescribe by-laws, not inconsistent with the law, regulating the manner in which its general business may be conducted, and to exercise, by its board of directors, or duly authorized officers or agents, all powers specifically granted by law and such incidental powers as may be necessary to carry on the business of banking within the limitations prescribed by law.

Each Federal Reserve Bank is conducted under the supervision and control of its board of directors, who are charged by law to perform the duties usually appertaining to the office of directors of banking associations and to administer the affairs of the bank fairly and impartially and without discrimination in favor of or against any member bank or banks and, subject to the provisions of law and the orders of the Federal Reserve Board, to extend to each member bank such discounts, advancements, and accommodations as may be safely and reasonably made with due regard for the claims and demands of other member banks.

The Federal Reserve Board is not authorized by law to pass upon the paper which is offered for discount to Federal Reserve Banks. This is a function which must be exercised by the directors of the Federal Reserve Bank or by their duly authorized officers or agents. While the law does not prescribe any fixed limit as to the amount of loans that a Federal Reserve Bank may make to a member bank, it does require that due

regard must be given to the claims and demands of other member banks; that is, to their possible needs for credit accommodation. It also provides that a Federal Reserve Bank must extend to each member bank such discounts and accommodations as may be "safely and reasonably" made. This means that the directors of a Federal Reserve Bank and the officers appointed by them must exercise their best judgment in granting discount accommodations. They must assure themselves that the discounts are such as can be safely made, and reasonably made, with due regard to the possible requirements of other member banks which may ask for accommodation later on.

The lending power is not vested in the Federal Reserve Board and the reason for this is probably twofold. First, The Federal Reserve System is not a central bank. It is a regional system comprising twelve banks. Congress did not intend that there should be a centralized control of credits. Second, In a country embracing so vast an area as the United States, it would be a very difficult task, if not an impossibility, for a central board to pass intelligently upon the security of the paper offered for discount, which must necessarily come from all sections of the country.

No Control Over Member Bank Loans.

While the Federal Reserve Act was intended to strengthen the banking system of the United States and to provide ready means of rediscounting certain classes of paper, it is also the evident intention of the act to disturb as little as possible the business of the member and non-member banks, or their dealings with their customers. There is nothing in the Federal Reserve Act which gives either the Federal Reserve Board or a Federal Reserve Bank any control over the loan policy of any member bank. A Federal Reserve Bank can not compel a member bank to make a loan which it does not desire to make, nor restrain it from making a loan which it wishes to make even though it is forbidden by law.

A Federal Reserve Bank can not lend directly to the customers of a member bank, nor does it, in fact, take the initiative in making loans to a member bank for the purpose of enabling the member bank to distribute the funds so advanced to its customers. The Federal Reserve Bank lends to the member bank against transactions already made, for the purpose of enabling the member bank to restore its reserve to the legal requirement, after the reserve has been impaired or is about to be impaired because of increased loans and deposits.

There is a very general popular misconception regarding this, and it may be that some of the member banks are responsible for this misunderstanding without being actuated, however, by sinister motives. Banks, as a rule, do not like to admit to customers that they are short of loanable funds nor do they wish to arouse enmity in declining to make loans or in asking for a reduction of a loan already made.

There are doubtless some bank officers who are able frankly to decline an application for a loan in a way which leaves no sting, but not all bank officers have such tact. Some are frank enough, but their bluntness hurts the feelings of the would-be borrower. It is not unusual, therefore, for some bank officers in declining loans to seek to evade direct responsibility. Formerly, the board of directors was made useful in this capacity. In recent years, however, bank officers have found in the Federal Reserve Board or the Federal Reserve Bank a much more satisfactory buffer than a local board of directors. In many cases, in small towns particularly, banks have found it convenient to pass the responsibility on to the Federal Reserve Bank or the Federal Reserve Board, and have stated to a borrower or would-be borrower that they would like to grant the extension asked for or make the loan desired, but the Federal Reserve would not permit it. Such a procedure has a tendency to relieve the situation as far as the local bank is concerned, but it is certainly unfair to the Federal Reserve System. This evasion of responsibility has subjected the Federal Reserve Banks to a great amount of unjust criticism and has given the public a wrong impression of the authority and attitude of the Federal Reserve Banks and the Federal Reserve Board.

It is entirely true that a Federal Reserve Bank, mindful of its responsibility under the law and acting in accordance with the dictates of ordinary banking prudence, may have had occasion to call the attention of some of its larger borrowing banks to their large discount lines, which have run in some cases over a period of years without being reduced, and have called the attention of the borrowing banks to the necessity of working themselves into a stronger position. But in no case within the

knowledge of the Federal Reserve Board has any Federal Reserve Bank undertaken to say to a member bank what particular loans it should call or ask to have reduced.

Federal Reserve Note Issues.

There is perhaps as much confusion in the public mind regarding the issue of Federal Reserve notes as there is regarding the rediscounting functions of the Federal Reserve Banks. There are some who appear to have an impression that the Federal Reserve Board has power to expand or contract the currency of the country at will and that it has exercised this power in a reckless and arbitrary manner. While the law prescribes that the Federal Reserve Board shall have the right, acting through the Federal Reserve Agent, to grant in whole or in part or to reject entirely the application of any Federal Reserve Bank for Federal Reserve notes, it has never exercised this right. On the contrary, it has always approved promptly every application which has been made for the issue of Federal Reserve notes. One of the purposes of the Federal Reserve Act, as stated in its caption, is to furnish an elastic currency, but there are some whose idea of elasticity is continuous stretching.

Currency to be really elastic must be susceptible of expansion or the reverse, as the needs of industry and commerce may require. Many believe that there was a preordained contraction of the currency during the year 1920, determined upon in order to reduce prices. The expansion of nearly \$600,000,000 in Federal Reserve note circulation which actually took place during that year shows that the impression is absolutely unwarranted.

An increase or decrease in the volume of Federal Reserve notes outstanding is not the result of any preordained policy or premeditated design, for the volume of Federal Reserve notes in circulation depends entirely upon the activity of business or upon the kind of activity which calls for currency rather than book credits.

Federal Reserve notes can be issued only against collateral in an amount equal to the sum of the Federal Reserve notes applied for, which collateral security must be notes and bills discounted or acquired by the banks or gold or gold certificates. The law requires each Federal Reserve Bank to maintain a reserve of 40 per cent in gold against its Federal Reserve notes in actual circulation.

During the year 1921 the loans of the Federal Reserve Banks to their member banks decreased by about \$1,500,000,000; and as the notes discounted with Federal Reserve Banks have been paid off, Federal Reserve note currency has come back to the banks and, in the absence of a demand for it, has not been reissued. Upon payment of commercial paper which has been deposited to secure Federal Reserve notes, there necessarily results either an immediate return of an equivalent amount of notes to the bank or an automatic increase in the percentage of gold reserve available for their redemption. Federal Reserve notes are not legal tender, nor do they count as reserve money for member banks. They are issued only as a need for them develops, and as they become redundant in any locality they are returned for credit or for redemption to the Federal Reserve Banks or to the Treasury at Washington. Thus, there can not be at any time more Federal Reserve notes in circulation than the needs of the country at the prevailing level of prices and wages require, and as the demand abates

the volume of notes outstanding will be correspondingly reduced through redemption. The increased volume of Federal Reserve notes in circulation from 1917 to the end of the year 1920 was, in so far as it was not the result of direct exchanges for gold and gold certificates, the effect of advancing wages and prices and not their cause, just as the reduction which has taken place during the past year is the result of lower prices and smaller volume of business, rather than their cause.

Under the Federal Reserve System, as business expands, as labor is more fully employed, and as production increases and distribution becomes more active, there follows a demand for greater discount accommodations and a need for more currency, and the increased volume of discounts furnishes a means of providing the increased volume of currency required.

Aid for Agriculture Through Rediscounting.

Some of the Federal Reserve Banks have much larger resources and consequently greater lending power than others. In ordinary times the Federal Reserve Banks in agricultural sections have very heavy seasonal demands made upon them for accommodation and in the fall of 1920 these demands were abnormally large because of the difficulty experienced in marketing agricultural products. As the Federal Reserve Banks are required by law to maintain certain specified reserves, both against their deposits and their note issues, and are required to advance their discount rates whenever their reserves fall below the legal requirements, it is evident that they must have some way of supplementing their resources in order to continue to accommodate their member banks and through them the public.

During the war every interest was subordinated to the single idea of winning the war, and restrictions were imposed upon many kinds of ordinary commercial and financial activities. The Government, in order to carry on the war, was obliged to borrow large sums and had outstanding when the war ended about \$25,000,000,000 of bonds and short-time notes or certificates. The flotation of this vast amount of securities, without any impairment of the standard of value, was made possible by the Federal Reserve System.

The Federal Reserve Banks issued Federal Reserve notes up to the capacity of their respective communities to absorb them and maintained their lending power by rediscounting with other Federal Reserve Banks. After the war ended the various restrictions upon commerce and industry, which had been imposed during the war, were removed and for several months there was extraordinary activity in all lines, which continued until the late spring of the year 1920.

Then came a violent reaction, accompanied by a drastic fall in prices and by conditions which without the aid of the Federal Reserve System would have resulted in a financial panic of unprecedented proportions.

The Federal Reserve Board is empowered by law to permit or require one Federal Reserve Bank to rediscount for another and to approve applications of a Federal Reserve Bank for Federal Reserve notes, to decline them in part or to refuse them altogether. In every instance the Board arranged promptly all applications made by Federal Reserve Banks for rediscounts, and provided for the immediate issue of all Federal Reserve notes applied for.

In this way the Federal Reserve Banks in agricultural sections were able to tide their member banks over a most dangerous and embarrassing situation by making advances in amounts far beyond their normal lending power.

What Happened in Two Typical Agricultural States.

The reports of the Comptroller of the Currency show that on August 22, 1907, just before the panic of that year, the rediscounts and bills payable of all national banks in the entire United States amounted to \$59,177,000. At one time during the fall of 1920 the borrowings of member banks in North Carolina alone from the Federal Reserve Bank of Richmond amounted to \$28,758,889.53. At about the same time the borrowings of Iowa member banks from the Federal Reserve Bank of Chicago amounted to \$98,636,000.

The Value of the Federal Reserve System.

Perhaps it might be indelicate for me to express an opinion as to the value of the Federal Reserve System to the country during the disastrous year 1920, but there is no impropriety in quoting a few passages from the report of the Comptroller of the Currency for that year, which was transmitted to Congress on February 7, 1921. In this report the Comptroller said:

"The story of Japan's industrial and financial experience is largely similar to the experience of South American and European countries - some of them our allies, and others neutral. Some of these countries are now going through a business cataclysm similar to that through which Japan has so recently passed. In our own country we have been thus far

fortunate enough - thanks largely to the splendid efficiency and stabilizing influence of the Federal Reserve System - to avoid the financial crises and complete disorganization which have made havoc elsewhere. We have passed with comparative safety through exceedingly troubled and nerve-racking times; but difficult and dangerous problems remain to be solved, the solution of which will demand clear heads and steady nerves."

"The deflation which at that time (1919) was obviously inevitable has come, and the country is now in many respects on a sounder basis, economically, than it has been for years."

"Largely through the aid and excellent functioning of the Federal Reserve System, the business and banking interests of the country have passed successfully through the perils of inflation and the strain and losses of deflation without panic and without the demoralization which has been produced in the past at various times from far less serious and racking causes. Those banking and other interests which at the outset so vigorously opposed the Federal Reserve System are now among its warmest advocates."

"The past seven years have been, in numbers of persons and extent of interests involved, the most momentous and critical in the history of this Republic. We have had to face and solve gigantic and unprecedented problems, and the banking and financial machinery of the country has been subjected to a test and strain unparalleled. It has been the duty of our country very largely to finance the world, and in carrying out the program which fate imposed upon us we have overcome successfully difficulties that at times seemed almost insurmountable

and we have met every righteous demand made upon us. Our Federal Reserve financial and banking system, inaugurated in 1914, has been of inestimable value; and without its aid, tasks which we have so successfully accomplished would have been impossible."

The present Comptroller of the Currency, in his report to Congress for the year 1921, has this to say:

"The year has been one of the most trying through which banking institutions have passed in a long period. Following an experience of inflation which, considering its world-wide extent, was perhaps without parallel, the banks in the past year have been under the necessity of facing the reaction in the form of progressive deflation. To an extent that a few years ago would have been beyond our utmost imaginings, the necessity has been imposed upon the American banking system to provide, as it were, a pneumatic cushion to ease down the economic structure of the world. The strain has been a heavy and difficult one, and the results have been such as to justify, beyond all our expectations, the confidence that has been reposed in our Federal reserve system.

"It is occasion of much satisfaction to be able to report that the national banks have demonstrated throughout this difficult experience a most impressive stability, strength, and soundness of management. That they have stood the test so well is largely due to the high courage and excellent management of their officers. It would be an egregious injustice to omit acknowledgment of this service to the public, and of the fine cooperation which the banks have extended to the supervisory authority of the Government."

"It must be borne in mind that the inauguration of the Federal reserve system was practically simultaneous with the outbreak of the Great War,

which, though it did not involve the United States directly for a long time, nevertheless had its instant reactions upon our financial and economic concerns. These reactions were so extensive and intensive that there is hardly possibility, in view of our experience of the last seven years, of questioning that but for the timely establishment of the Federal reserve system, our country, and indeed the rest of the world, would have suffered much greater difficulties in financing the war, than were actually experienced. It may well be doubted whether the extraordinary demands that were made upon American industry, agriculture, and finance could possibly have been met if this instrumentality of credit consolidation and elasticity had not been in existence. We will arrive at the most adequate appreciation of what the Federal reserve system has meant to us during these trying years, if we will undertake to visualize the conditions that would have existed had we been compelled to operate through the financial mechanism that was in existence prior to the creation of the Federal reserve system. "

"It was inevitable that the period of deflation which followed the war's expansion of credits should be intense and difficult in proportion to the extent of the inflation. While it is true that no banking system could have created assets and industrial capacity where these did not exist in substantial forms, yet it is also true that none save a highly efficient and smoothly functioning system, could have made possible the contributions of our country during the world's crisis. It is a further testimony in favor of our system that since the armistice we have been able to proceed farther, and with less discomfort, on the way to normal conditions, than any other of the great powers."

FEDERAL RESERVE BOARD

WASHINGTON

X-3376

April 6, 1922.

SUBJECT: Correction in Telegraph Code.

Dear Sir:

One of the Federal Reserve Banks has called attention to the fact that in the Federal Reserve Telegraph Code (Page 37) the word following the word "buoyant" and preceding the word "burden" is spelled "bouyantly" and has asked if the word is out of place or misspelled.

The word is apparently in its proper place but misspelled, the "o" and "u" having been transposed and overlooked in proofreading.

Please make correction in the copies of the Code furnished to your bank.

Very truly yours,

Walter L. Eddy,
Assistant Secretary.

LETTER TO GOVERNORS
OF ALL FEDERAL RESERVE BANKS.

FEDERAL RESERVE BOARD

WASHINGTON

X-3377

April 6, 1922.

SUBJECT: Postal Registry Receipts in use by
Federal Reserve Banks.

Dear Sir:

There is enclosed herewith copy of a communication received from the Post Office Department, which is self explanatory. It is requested that you send to the Board for transmittal to the Post Office Department samples of the "registry forms" used by your bank and its branches.

Very truly yours,

G o v e r n o r .

(Enclosure)

TO THE GOVERNORS
OF ALL FEDERAL RESERVE BANKS

COPY

X-3377a

POST OFFICE DEPARTMENT
Third Assistant Postmaster General
WASHINGTON

April 4, 1922.

Honorable W. P. G. Harding,
Governor, Federal Reserve Board,
Washington, D. C.

My dear Sir:

As will be noted by extract from communication attached hereto, the postmaster at Salt Lake City, Utah, raises the question as to why it is necessary for the local branch of the Federal Reserve Bank at Salt Lake City to use the special registry forms, like samples also attached *, rather than the regular stock registry forms. Your views regarding the matter will be appreciated.

In this connection it is stated that it is very desirable of course that the forms used in connection with registered mail by the Federal Reserve Banks and branches be uniform in size and character and conform, as near as practicable to the stock registry forms, and in this connection it is suggested that there be obtained from the several Federal Reserve Banks and branches samples of forms used by them in connection with the mailing of registered matter, or its receipt from the post office, and that such samples be transmitted to this Office for examination and possible suggestions the adoption of which might tend to uniformity or otherwise be advantageous.

Sincerely yours,

(Signed) Warren I. Glover.

Third Assistant Postmaster General.

* Samples not received.

GMP/BB
Inclosure.

EXTRACTS FROM LETTER FROM THE POSTMASTER AT SALT LAKE CITY,
UTAH, DATED FEBRUARY 13.

Enclosed herewith find sample forms of registry receipts all of which are used daily and together by the local branch of the Federal Reserve Bank, acting under instructions by district headquarters at San Francisco. In the interest of post office efficiency, which depends to a certain extent upon uniformity and convenience, we have objected to this use of variegated forms, filed under as many serial numbers, by a single patron of this office, and the objection is based on the following reasons:

1. Because of the decided inconvenience in keeping valuable files pertaining to one subject in several lots or filing cases.
2. Because of the obvious irregularity of filing such valuable records under several serial numbers.
3. Because it is practically impossible to satisfactorily check at the time of receipt the registered articles with the entries on these several and separate forms.
4. Because the forms submitted by the Federal Reserve Bank do not harmonize with forms supplied by the Department in size, shape or matter; there is no provision at all for restricted delivery.
5. Because of time and space necessarily wasted in checking and filing these several forms daily; in listing 51 articles yesterday, seven bills were used each of which had space for 40 entries.
6. Because frequently changes made in the system of the Federal Reserve Bank are subsequently requested by other banks.
8. Because it is not clear that one patron or business concern should be allowed privileges which are withheld from other patrons; each may ask the acceptance of one or more forms adapted to the particular need of his office system.
9. Because we are crowded now for floor space in which to do necessary work by the simplest method possible.
10. Because some of these forms have never received the approval of the Post Office Department--they are presented without notice, or concern for the service.

Our protest, based on the grounds above stated, were communicated by the local branch bank to the Federal Reserve Bank at San Francisco which wired that its blanks had been referred to the

Post Office Inspector in Charge at that point; that he saw no objection to their use and that other offices were accepting them in consequence; the local bank was further advised to telegraph the Post Office Inspector in Charge at Denver, Colorado, to issue instructions to this office.

Representatives of the local branch bank intimate that they will not accept bulk receipts on Form 3824 but will remain at the window until individual receipts for every mailing are made out on Form 3806 if their variegated forms are refused. I do not believe in humoring a patron who demands a privilege which cannot be accorded other patrons having equal rights when such concessions involve a loss of efficiency and a waste of time and money with "curtailment" our watch word.

If, in view of the inconvenience of checking, the irregularities in filing and the possibility of an endless variety of forms to suit the changing plans of insistent business concerns, the Department instructs us to accept and file anything submitted, or approved by an inspector, we shall offer no further objections to lists presented with articles to be registered. But we would like to have a ruling on the matter at an early date.

FEDERAL RESERVE BOARD
GOLD SETTLEMENT FUND

X-3378
Washington, D.C.
April 7, 1922.

Summary of transactions for period ending April 6, 1922.

(CONFIDENTIAL)

Federal Reserve Bank of	Balance last statement March 30, 1922.	Gold Withdrawals	Gold Deposits	Aggregate withdrawals and transfers to Agent's fund	Aggregate deposits and transfers from Agent's fund	TRANSFERS	
						Debits	Credits
Boston	\$ 21,465,841.93	\$ 631,050.00	\$ -	\$ 631,050.00	\$ -	\$ 8,000,000.00	\$ -
New York	125,333,499.33	1,564,070.00	12,045,700.00	1,564,070.00	12,045,700.00	-	18,000,000.00
Philadelphia	66,133,216.08	803,200.00	1,003,000.00	3,803,200.00	1,003,000.00	-	1,000,000.00
Cleveland	53,211,110.00	1,324,749.00	1,500.00	1,324,749.00	1,500.00	1,000,000.00	-
Richmond	27,409,777.88	828,357.16	3,000,300.00	828,357.16	3,000,300.00	-	1,000,000.00
Atlanta	22,449,930.22	668,800.00	-	668,800.00	-	2,000,000.00	-
Chicago	70,071,841.28	1,002,625.00	218,328.12	1,002,625.00	218,328.12	5,000,000.00	-
St. Louis	17,107,931.05	681,500.00	-	681,500.00	-	5,000,000.00	-
Minneapolis	29,516,124.60	460,343.65	500,000.00	2,260,343.65	500,000.00	-	-
Kansas City	28,854,252.34	432,225.73	1,000,000.00	432,225.73	1,000,000.00	-	1,000,000.00
Dallas	11,555,843.97	649,240.00	1,500,000.00	649,240.00	1,500,000.00	-	-
San Francisco	42,591,257.56	972,613.11	4,500,000.00	972,613.11	5,699,000.00	-	-
Total	\$ 515,702,626.29	\$ 10,018,773.65	\$ 23,768,828.12	\$ 19,818,773.65	+\$ 24,967,328.12	\$ 21,000,000.00	\$ 21,000,000.00

Settlements from March 31, 1922 to April 6, 1922 inclusive.

Federal Reserve Bank of	Settlements from March 31, 1922 to April 6, 1922 inclusive.				Balance in fund at close of business Apr. 6, 1922	Summary of changes in ownership of gold by banks through transfers and settlements.	
	Net Debits	Total Debits	Total Credits	Net Credits		Decrease	Increase
Boston	\$ -	\$ 92,941,754.99	\$ 108,560,674.99	\$ 15,618,920.00	\$ 28,453,711.93	\$ -	\$ 7,618,920.00
New York	28,555,958.61	410,084,882.83	381,528,924.22	-	125,259,170.77	10,555,958.61	-
Philadelphia	-	115,720,226.40	123,553,810.07	7,833,583.67	67,166,599.75	-	8,833,583.67
Cleveland	6,376,286.16	98,674,678.27	92,298,392.11	-	44,511,574.84	7,376,286.16	-
Richmond	-	89,008,308.24	92,086,706.81	3,085,398.57	33,667,119.29	-	4,085,398.57
Atlanta	-	38,606,670.57	44,746,105.70	6,139,435.13	25,920,565.35	-	4,139,435.13
Chicago	-	181,938,214.96	205,729,215.94	23,791,000.98	88,078,545.38	-	18,791,000.98
St. Louis	4,061,414.06	106,964,801.30	102,903,387.24	-	7,365,016.99	9,061,414.06	-
Minneapolis	-	25,651,116.64	25,918,697.57	267,580.93	29,023,361.88	-	1,267,580.93
Kansas City	-	77,701,168.03	80,646,102.31	2,944,934.28	32,366,960.89	-	2,944,934.28
Dallas	1,152,460.54	38,428,185.25	37,275,724.71	-	11,254,143.43	1,152,460.54	-
San Francisco	19,534,734.19	64,702,386.79	45,167,652.60	-	27,782,910.26	19,534,734.19	-
Total	\$ 59,680,853.56	\$ 1,340,415,394.27	\$ 1,340,415,394.27	\$ 59,680,853.56	\$ 520,849,680.76	\$ 47,680,853.56	\$ 47,680,853.56

438

FEDERAL RESERVE AGENTS' FUND

X-3378a
Washington, D.C.
April 7, 1922.

Summary of Transactions for period ending April 6, 1922

(CONFIDENTIAL)

Federal Reserve Agent at	Balance last statement March 30, 1922.	Gold Withdrawals	Gold Deposits	Withdrawals for transfers to bank	Deposits through transfers from bank	Total Withdrawals	Total Deposits	Balance at close of business April 6, 1922.
Boston	\$ 100,000,000	\$ -	\$ 10,000,000	\$ -	\$ -	\$ -	\$ 10,000,000	\$ 110,000,000
New York	381,000,000	10,000,000	-	-	-	10,000,000	-	371,000,000
Philadelphia	123,389,260	-	-	-	8,000,000	-	8,000,000	136,389,260
Cleveland	165,000,000	-	-	-	-	-	-	165,000,000
Richmond	33,295,000	-	-	-	-	-	-	33,295,000
Atlanta	75,000,000	-	1,500,000	-	-	-	1,500,000	76,500,000
Chicago	312,644,500	7,000,000	15,000,000	-	-	7,000,000	15,000,000	320,644,500
St. Louis	65,300,000	2,000,000	1,000,000	-	-	2,000,000	1,000,000	64,300,000
Minneapolis	15,200,000	-	-	-	1,800,000	-	1,800,000	17,000,000
Kansas City	39,360,000	-	1,000,000	-	-	-	1,000,000	40,360,000
Dallas	10,000,000	-	-	-	-	-	-	10,000,000
San Francisco	195,374,000	-	-	1,199,000	-	1,199,000	-	194,175,000
Total	\$ 1,520,562,760	\$ 19,000,000	\$ 28,500,000	\$ 1,199,000	\$ 9,800,000	\$ 20,199,000	\$ 38,300,000	\$ 1,538,663,760

TREASURY DEPARTMENT
Office of the Secretary
WASHINGTON

X-3379

April 6, 1922.

The Governor
Federal Reserve Board.

Sir:

You are hereby advised that the Department has referred to the Comptroller General of the United States, Treasury Department Division, for settlement, the account of the Bureau of Engraving and Printing for preparing Federal Reserve notes during the period March 1 to March 31, 1922, amounting to \$116,612.16, as follows,-

Federal Reserve Notes, 1914

	<u>\$5</u>	<u>\$10</u>	<u>\$20</u>	<u>\$50</u>	<u>\$100</u>	<u>Total</u>
New York	1,047,000	455,000	186,000	36,000	18,000	1,742,000
Philadelphia..	46,000	30,000	6,000	4,000	--	86,000
Cleveland	53,000	6,000	14,000	--	--	73,000
Richmond	9,000	18,000	1,000	--	1,000	29,000
Atlanta	--	--	--	2,000	--	2,000
Chicago	103,000	75,000	--	6,000	--	184,000
Minneapolis...	22,000	--	--	--	--	22,000
Kansas City...	18,000	--	3,000	--	--	21,000
Dallas	39,000	--	--	--	--	39,000
San Francisco.	112,000	33,000	6,000	2,000	1,000	154,000
	<u>1,449,000</u>	<u>617,000</u>	<u>216,000</u>	<u>50,000</u>	<u>20,000</u>	<u>2,352,000</u>

2,352,000 sheets at \$49.58 per M \$116,612.16

The charges against the several Federal Reserve Banks are as follows:

	<u>Sheets</u>	<u>Compen- sation</u>	<u>Plate Printing</u>	<u>Materials</u>	<u>Inc.Com- pensation</u>	<u>Total</u>
New York ...	1,742,000	\$29,004.30	\$27,819.74	\$21,269.82	\$ 8,274.50	\$ 86,368.36
Philadelphia	86,000	1,431.90	1,373.42	1,050.06	408.50	4,263.88
Cleveland ..	73,000	1,215.45	1,165.81	891.33	346.75	3,619.34
Richmond ...	29,000	482.85	463.13	354.09	137.75	1,437.82
Atlanta	2,000	33.30	31.94	24.42	9.50	99.16
Chicago	184,000	3,063.60	2,938.48	2,246.64	874.00	9,122.72
Minneapolis.	22,000	366.30	351.34	268.62	104.50	1,090.76
Kansas City.	21,000	349.65	335.37	256.41	99.75	1,041.18
Dallas	39,000	649.35	622.83	476.19	185.25	1,933.62
San Francisco	154,000	2,564.10	2,459.38	1,880.34	731.50	7,635.32
	<u>2,352,000</u>	<u>39,160.80</u>	<u>37,561.44</u>	<u>28,717.92</u>	<u>11,172.00</u>	<u>\$116,612.16</u>

The Bureau appropriations will be reimbursed in the above amount from the indefinite appropriation "Preparation and Issue of Federal Reserve Notes, Reimbursable", and it is requested that your Board cause such indefinite appropriation to be reimbursed in like amount.

Respectfully,

Wm. S. Broughton,
Commissioner.

FEDERAL RESERVE BOARD

WASHINGTON

X-3380

April 10, 1922.

SUBJECT: Supplies of Gold Certificates.

Dear Sir:

The enclosed copies of letters exchanged with the Under Secretary of the Treasury are self-explanatory and are sent to you for your information.

Very truly yours,

G o v e r n o r .

(Enclosures)

TO THE GOVERNORS OF
ALL FEDERAL RESERVE BANKS.

COPY

FEDERAL RESERVE BOARD

Washington

X-3380a
March 24, 1922.

Dear Mr. Secretary:

I acknowledge receipt of your letter of March 23rd, in which you suggest that the Federal reserve banks make requisition on the Treasurer in due course for sufficient stocks of gold certificates for use in making payments on Government account.

In the past, the Federal reserve banks have obtained new gold certificates from the Treasury Department only when they have sent in other gold certificates for redemption, or when they have made payment therefor by check to the order of the Treasurer of the United States drawn on their gold settlement fund accounts. The cost of shipping new gold certificates to replace those sent in by the Federal reserve banks for redemption is borne by the Treasury Department; the cost of shipping new gold certificates when paid for by gold settlement fund check is borne by the Federal reserve banks. Is the Board correct in its understanding that hereafter the Treasury Department will furnish the banks with gold certificates on the same basis as it now furnishes them with silver and legal tender certificates?

In a letter received from the Federal Reserve Bank of Philadelphia, a copy of which I transmitted to the Secretary under date of March 21st, the bank asked to be informed what payments made by it are to be regarded as "payments for the account of the United States". It is believed that if all Federal reserve banks were advised in this particular, they would have some real basis for determining their requirements for gold certificates.

For your information, I would state that it is not the practice at the present time for the Federal reserve banks to make requisitions direct upon the Treasurer of the United States for supplies of United States currency. The banks make known their requirements daily by wire to the Federal Reserve Board and request that the Board arrange with the Treasurer of the United States shipments of the amounts, kinds and denominations of United States currency needed by them. Is it desired that Federal reserve banks requiring gold certificates make requisition therefor direct on the Treasurer of the United States, or is it desired that they make known their requirements through the Board in the same manner as in the case of silver and legal tender certificates, or is it preferred that hereafter the Federal reserve banks make requisition direct upon the Treasurer of the United States for all forms of United States currency desired by them?

Very truly yours,

(Signed) W. P. G. HARDING,

G o v e r n o r .

Honorable S. P. Gilbert, Jr.,
Under Secretary of the Treasury.

COPY

X-3380c

THE UNDER SECRETARY OF THE TREASURY

Washington.

April 6, 1922.

My dear Governor:

I received your letter of March 24, 1922, in reply to my letter of March 23d, with regard to the supply of gold certificates by the Treasury to the Federal Reserve Banks. The Treasury Department is prepared to furnish the Federal Reserve Banks with gold certificates on the same basis as it now furnishes them with silver certificates and United States notes, under the general regulations governing the handling of United States paper currency by the Federal Reserve Banks. I believe that the procedure now used for the requisition of silver certificates and United States notes through the Federal Reserve Board should be continued, and extended to cover requisitions of gold certificates as well. It was not the intention in my letter of March 23d to suggest that requisitions for gold certificates should be made direct of the Treasurer of the United States, rather than through the Federal Reserve Board.

With regard to your suggestion that Federal Reserve Banks should be advised as to what payments are to be regarded as "payments for the account of the United States", I should say that the question had been answered by the Secretary's letter of March 24, 1922, with regard to the letter from the Federal Reserve Bank of Chicago, dated March 14th. I understand that the Secretary's letter has since been transmitted by the Federal Reserve Board to all the Federal Reserve Banks. The general regulations of the Treasury Department issued under date of August 30, 1920, as to the handling of United States paper currency presented for redemption or replacement, and under date of October 19, 1920, as to the handling of coin and other functions previously performed by the Subtreasuries, also indicate the Treasury's views on the subject. If it would be helpful to the Federal Reserve Banks to have more detailed information, the Treasury will be glad to reply specifically to any inquiries made.

Very truly yours,

(Signed) S. P. Gilbert Jr.,

Under Secretary.

Hon. W. P. G. Harding,
Governor, Federal Reserve Board,
Washington, D. C.

THE UNDER SECRETARY OF THE TREASURY

C O P Y

Washington

X-3380b
March 23, 1922.

My dear Governor:

In view of the Secretary's letter of March 6, 1922, to the Treasurer of the United States as to payments of gold certificates and other forms of United States paper currency, a copy of which was transmitted to the Federal Reserve Board with the Secretary's letter of the same date, I suggest that it would be well for the several Federal Reserve Banks to make requisition on the Treasurer in due course for sufficient stocks of gold certificates for use in making payments on Government account. According to reports from the Federal Reserve Banks, the stocks of gold certificates at the banks are relatively low, particularly in the smaller denominations. The Treasury will be prepared to give prompt attention to requisitions for additional stocks when submitted in the usual manner.

Very truly yours,

(Signed) S. P. Gilbert, Jr.,
Under Secretary.

Hon. W. P. G. Harding,
Governor, Federal Reserve Board.

FEDERAL RESERVE BOARD

WASHINGTON

X-3381
April 11, 1922.

SUBJECT: Report of Treasury Currency Committee.

Dear Sir:

On March 29th, the Treasury Currency Committee conferred with representatives of several of the Federal Reserve Banks. There is enclosed, herewith, for your information, a copy of a summary report of the conference, and you are advised that the conclusions reached by the conference have the approval of the Treasury Department and the Federal Reserve Board.

In connection with the recommendation of the conference with respect to the Federal Reserve Banks estimating their future requirements for new paper currency, each Federal Reserve Bank is requested to telegraph the Board on April 29, 1922, and on the last business day of each month thereafter, the estimated amount of each denomination of new paper currency which it will require during the ensuing month. Estimates of the requirements of each branch bank should also be telegraphed, separately, to the Board and not combined with those of the head office.

The Federal Reserve Banks are requested to confirm by letter the telegrams above referred to and to include in the letter tentative estimates of the requirements of the head office and branch banks, separately, for new paper currency for the ensuing three months.

Very truly yours,

(Enclosure)

G o v e r n o r .

TO THE GOVERNORS OF
ALL FEDERAL RESERVE BANKS.

Summary Report of Conference with Respect
to Paper Currency Supply and Distribution

Held in the Office of the Commis-
sioner of the Public Debt on March
29, 1922.

Those attending were:

The currency committee, consisting of:
Messrs. Broughton and Elliott, Office of the
Commissioner of the Public Debt.
Mr. Pearce, Cashier,
Messrs. Eddy and Buell, of the Federal Reserve Board.

Representatives from Federal Reserve Banks, as follows:
Messrs. Gilbert and Higgins, New York.
Mr. Chase, Boston.
Mr. Netterstrom, Chicago.

The conference dealt chiefly with the following points:

- (1) the currency printing program and distribution of new currency;
- (2) a standard of fitness for circulated notes.

1. The currency program and distribution of new currency. Mr. Broughton briefly called attention to the report submitted about a year and a half ago by a committee of the Federal Reserve Banks, to the situation existing a year ago when the Department estimates were compiled, and the situation existing last fall at the time of the Governors' conference, and to the present situation; all with respect to currency supply and the current printing program so far as relates to the Treasury. He spoke of the committee appointed to supervise the supply and distribution of new currency, composed of Treasury and Federal Reserve Board representatives, stating that due to decreased demands for currency and the attention of Mr. Eddy and Mr. Pearce the currency committee, as such, up to date had not been an active factor in the situation. He referred to instructions recently given by the Secretary to the Treasurer of the United States regarding kinds and denominations of currency in which payment should be made, stating that the restoration of silver certificates to circulation would in time supply practically all the 1's and 2's required, and that as a result United States notes for the most part must in future be issued in denominations higher than \$2. He spoke of the necessity for saving and the possibility of arriving at a definite basis for currency supply, involved with which would be the determination of a standard of fitness for circulated notes.

A general discussion followed. No adverse factors in the procedure established in August 1920 for the distribution of new currency through the Federal Reserve Banks were developed. Recent instructions

to the Treasurer authorizing him to make direct returns on currency presented to him for redemption were referred to as a possible factor in breaking down the existing system should banks generally so proceed. It was pointed out, however, that direct transactions were so few and in such small amounts that the general situation could not be affected.

It was the consensus of opinion that it would be entirely practicable for Federal Reserve Banks to anticipate their denominational requirements of new notes definitely for a one month's period and approximately for a three months' period, such estimates to be available for the information of the Treasury and the Federal Reserve Board.

2. Standard of fitness for circulated notes. Mr. Elliott, chairman of a special Treasury committee, reported the results of an inquiry recently completed. He presented a definition of circulated paper currency fit for further circulation, as formulated by the special committee, as follows:

"Paper currency tendered for redemption in order to be classed as fit for further circulation must be fairly clean so that its class, denomination and genuineness can be determined without difficulty, and must contain a sufficient amount of 'life' or 'sizing' to permit its being handled with facility. It should not contain heavy creases which break the fibre of the paper and indicate that disintegration has begun. A fit note when held by one end in one hand and pressed into a slightly concave shape lengthwise should sustain itself substantially on a line with the hand. It should not present a limp or rag like appearance. If a note has retained a fair amount of the original strength or 'sizing', it is fit unless it is so badly soiled as to be offensive, or is torn, perforated or otherwise mutilated. Mere creasing or wrinkling that has not broken nor seriously weakened the note does not make it unfit. So-called 'dog ears' or bent corners do not render notes unfit."

And he further presented statements showing the actual number of fit notes found by the committee in test examinations of currency in process of redemption, the standard of fitness being in accordance with the above definition. Copies of these statements are attached hereto as exhibits "A" and "B". The actual notes were presented for the inspection of the conference, and other notes not previously inspected were presented for examination by the conference.

It was the consensus of the conference that copies of the findings should be reported to all Federal Reserve Banks, and that the Federal Reserve Banks themselves would establish and maintain a uniform standard of fitness if such test examinations are made

periodically by the Treasury and reported to all Federal Reserve Banks.

3. Conclusions. The conference unanimously reached the following conclusions with recommendation to the Secretary of the Treasury and the Federal Reserve Board that they be adopted and given official sanction; (1) that the standard of fitness of paper currency for further circulation be defined as follows:

"Paper currency tendered for redemption in order to be classed as fit for further circulation must be fairly clean so that its class, denomination and genuineness can be determined without difficulty, and must contain a sufficient amount of 'life' or 'sizing' to permit its being handled with facility. It should not contain heavy creases which break the fiber of the paper and indicate that disintegration has begun. A fit note when held by one end in one hand and pressed into a slightly concave shape lengthwise should sustain itself substantially on a line with the hand. It should not present a limp or rag like appearance. If a note has retained a fair amount of the original strength or 'sizing', it is fit unless it is so badly soiled as to be offensive, or is torn, perforated or otherwise mutilated. Mere creasing or wrinkling that has not broken nor seriously weakened the note does not make it unfit. So-called 'dog ears' or bent corners do not render notes unfit."

(2) that the Treasury from time to time, in accordance with such standard, make test examinations of each kind and each denomination of paper currency presented for redemption by each Federal Reserve Bank, and that the result of such examination be reported at the end of each month to the Federal Reserve Board for the information and guidance of Federal Reserve Banks;

(3) that Federal Reserve Banks be requested at the end of each month to estimate their denominational requirements of new paper currency for the ensuing month, and that at the same time they be requested to submit a tentative estimate for the ensuing three months; such reports when received by the Federal Reserve Board, insofar as they relate to currency supplied by the Treasury, to be transmitted to the Commissioner of the Public Debt, as Chairman of the Currency Committee.

A SPECIAL EXAMINATION OF \$1 UNITED STATES NOTES AND SILVER CERTIFICATES
FROM FEDERAL RESERVE BANKS SHOWED PERCENTAGES OF FIT NOTES AS FOLLOWS:

	United States Notes	Silver Certif- icates
Boston	25	7
New York	32	29
Philadelphia	33	21
Cleveland	3	17
Richmond	8	not examined
Atlanta	3	19
Chicago	24	not examined
Minneapolis	not examined	31
Kansas City	not examined	18
Saint Louis	33	27
Dallas	3	not examined
Average for all banks	18	21

RESULT AS SHOWN BY EXAMINATION OF CURRENCY RECEIVED

X-3331a

FROM FEDERAL RESERVE BANKS BY THE NATIONAL BANK REDEMPTION AGENCY

Bank from which: received	Class	Denomi- nations	No. of notes examined	Per cent of fit	Average per cent of fit
Boston	:N.B. Notes:	10	400	12	12
	:F.R. "	20	400	5	5
New York	:N.B. Notes:	5	400	14	
	:N.B. "	10	400	37	
	:N.B. "	20	400	20	27
	:F.R. "	5	400	26	
	:F.R. "	10	400	38	32
Philadelphia	:N.B. Notes:	5	400	22	22
	:F.R. "	5	400	27	
	:F.R. "	10	400	35	31
Cleveland	:F.R. Notes:	5	400	6	
	:F.R. "	10	400	23	14
Richmond	:N.B. Notes:	5	300	0	
	:N.B. "	10	300	14	
	:N.B. "	20	300	5	6
	:F.R. "	5	400	24	24
Atlanta	:N.B. Notes:	5	400	15	
	:N.B. "	10	400	25	
	:N.B. "	20	400	24	21
	:F.R. "	10	400	24	24
Chicago	:N.B. Notes:	5	400	0	
	:N.B. "	10	400	8	
	:N.B. "	20	400	10	6
	:F.R. "	10	400	20	20
Saint Louis	:N.B. Notes:	5	400	14	14
	:F.R. "	20	400	10	10
Minneapolis	:N.B. Notes:	10	400	37	37
	:F.R. "	10	400	22	22
Kansas City	:N.B. Notes:	20	400	10	10
	:F.R. "	10	400	3	3
Dallas	:N.B. Notes:	10	400	11	11
	:F.R. "	20	400	17	17
San Francisco	:N.B. Notes:	5	400	46	
	:N.B. "	10	300	34	
	:N.B. "	20	400	48	
	:N.B. "	50	100	34	40
	:F.R. "	5	400	51	
	:F.R. "	10	400	61	
	:F.R. "	20	400	71	61

FEDERAL RESERVE BOARD

WASHINGTON

X-3382

April 11, 1922.

SUBJECT: Closing Hour of Federal Reserve Banks.

Dear Sir:

Section 5 of the Board's circular letter of February 21, 1922 (X-3337) on the subject of "Wire Transfers of Funds" reads as follows:

"Telegraphic transfers for consummation on date of receipt should not be accepted by Federal Reserve Banks later than thirty minutes prior to the closing hour of the Federal Reserve Bank to which transfer is made. Any transfers requested after that hour may be made at the discretion of the Federal Reserve Bank receiving credit."

The Board has been requested to advise all Federal Reserve Banks what interpretation should be placed on the words "the closing hour of the Federal Reserve Bank to which transfer is made." The rules and regulations adopted by the Board for the guidance of the Federal Reserve Banks in handling wire transfers of funds are based upon recommendations made by the Federal Reserve Leased Wire Committee and the Board is advised that the Committee, when recommending that "Telegraphic transfers for consummation on date of receipt should not be accepted by Federal Reserve Banks later than thirty minutes prior to the closing hour of the Federal Reserve Bank to which transfer is made" had clearly in mind the regular closing hour of the Federal Reserve Banks for transacting banking business, which both the Committee and the Board understands is the same as the closing hour of the member banks in the cities in which the Federal Reserve Banks are located.

Very truly yours,

G o v e r n o r .

TO THE GOVERNORS OF
ALL FEDERAL RESERVE BANKS.

FEDERAL RESERVE BOARD
GOLD SETTLEMENT FUND

X-3383
Washington, D. C.
April 14, 1922

Summary of transactions for period ending April 13, 1922.

(CONFIDENTIAL)

Federal Reserve Bank of	Balance last statement April 6, 1922	Gold Withdrawals	Gold Deposits	Aggregate withdrawals and transfers to Agent's fund	Aggregate deposits and transfers from Agent's fund	TRANSFERS	
						Debits	Credits
Boston	\$ 28,453,711.93	\$ 577,750.00	\$ -	\$ 577,750.00	\$ -	\$ 6,000,000.00	\$ -
New York	125,259,170.77	1,366,200.00	1,900.00	1,366,200.00	1,900.00	6,000,000.00	-
Philadelphia	67,166,599.75	2,039,750.00	9,000,000.00	12,039,750.00	9,000,000.00	-	3,000,000.00
Cleveland	44,511,574.84	4,381,115.00	1,000,000.00	4,381,115.00	1,000,000.00	3,000,000.00	-
Richmond	33,667,119.29	1,048,050.00	4,000,800.00	6,048,050.00	4,000,800.00	-	-
Atlanta	25,920,565.35	758,391.00	-	758,391.00	-	-	-
Chicago	88,078,545.38	1,238,980.00	1,000,400.00	11,238,980.00	1,000,400.00	-	5,000,000.00
St. Louis	7,365,016.99	733,830.00	1,000,400.00	733,830.00	1,000,400.00	-	1,000,000.00
Minneapolis	29,023,361.88	423,890.54	3,000,500.00	423,890.54	3,000,500.00	-	-
Kansas City	32,366,960.89	718,294.83	400.00	718,294.83	400.00	-	2,000,000.00
Dallas	11,254,143.43	813,450.00	1,000,000.00	813,450.00	1,000,000.00	-	-
San Francisco	27,782,910.26	956,583.07	3,003,800.00	956,583.07	6,538,300.00	-	4,000,000.00
Total	\$ 520,849,680.76	\$ 15,056,284.44	\$ 23,008,200.00	\$ 40,056,284.44	\$ 26,542,700.00	\$ 15,000,000.00	\$ 15,000,000.00
Federal Reserve Bank of	Settlements from April 7, 1922 to April 13, 1922 inclusive				Balance in fund at close of business Apr. 13, 1922	Summary of changes in ownership of gold by banks through transfers and settlements.	
	Net Debits	Total Debits	Total Credits	Net Credits		Decrease	Increase
Boston	\$ -	\$ 92,083,579.98	\$ 98,129,587.00	\$ 6,046,007.02	\$ 27,921,968.95	\$ -	\$ 46,007.02
New York	-	364,777,454.65	383,531,102.78	18,753,648.13	136,648,518.90	-	12,753,648.13
Philadelphia	5,730,882.38	123,848,729.16	118,117,846.78	-	61,395,967.37	2,730,882.38	-
Cleveland	-	98,304,844.27	98,756,792.72	451,948.45	38,582,408.29	2,548,051.55	-
Richmond	-	89,416,165.14	89,448,962.11	32,796.97	31,652,666.26	-	32,796.97
Atlanta	-	39,765,265.15	44,197,384.21	4,432,119.06	29,594,293.41	-	4,432,119.06
Chicago	5,531,897.21	188,517,448.60	182,985,551.39	-	77,308,068.17	531,897.21	-
St. Louis	1,573,595.42	94,786,282.37	93,212,686.95	-	7,057,991.57	573,595.42	-
Minneapolis	3,924,519.64	28,656,102.84	24,731,583.20	-	27,675,451.70	3,924,519.64	-
Kansas City	8,365,086.22	80,148,321.94	71,783,235.72	-	25,283,979.84	6,365,086.22	-
Dallas	926,787.75	37,025,033.60	36,098,245.85	-	10,513,905.68	926,787.75	-
San Francisco	3,663,751.01	46,875,225.19	43,211,474.18	-	33,700,876.18	-	336,248.99
Total	\$ 29,716,519.63	\$ 1,284,204,452.89	\$ 1,284,204,452.89	\$ 29,716,519.63	\$ 507,336,096.32	\$ 17,600,820.17	\$ 17,600,820.17

452

FEDERAL RESERVE AGENTS' FUND

X-3383 a
Washington, D.C.
April 14, 1922.

Summary of transactions for period ending April 13, 1922

(CONFIDENTIAL)

Federal Reserve Agent at	Balance last statement April 6, 1922	Gold Withdrawals	Gold Deposits	Withdrawals for transfers to bank	Deposits through transfers from bank	Total Withdrawals	Total Deposits	Balance at close of business April 13, 1922
Boston	\$ 110,000,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 110,000,000
New York	371,000,000	-	-	-	-	-	-	371,000,000
Philadelphia	136,389,260	5,000,000	-	-	10,000,000	5,000,000	10,000,000	141,389,260
Cleveland	165,000,000	-	-	-	-	-	-	165,000,000
Richmond	33,295,000	3,000,000	2,500,000	-	5,000,000	3,000,000	7,500,000	37,795,000
Atlanta	76,500,000	-	1,000,000	-	-	-	1,000,000	77,500,000
Chicago	320,644,500	7,000,000	10,000,000	-	10,000,000	7,000,000	20,000,000	333,644,500
St. Louis	64,300,000	2,000,000	2,500,000	-	-	2,000,000	2,500,000	64,800,000
Minneapolis	17,000,000	1,000,000	-	-	-	1,000,000	-	16,000,000
Kansas City	40,360,000	2,000,000	1,000,000	-	-	2,000,000	1,000,000	39,360,000
Dallas	10,000,000	-	-	-	-	-	-	10,000,000
San Francisco	194,175,000	-	-	3,534,500	-	3,534,500	-	190,640,500
Total	\$1,538,663,760	\$ 20,000,000	\$ 17,000,000	\$ 3,534,500	\$ 25,000,000	\$ 23,534,500	\$ 42,000,000	\$1,557,129,260

FEDERAL RESERVE BOARD

WASHINGTON

April 15, 1922.
X-3384

SUBJECT: Record of Bank Membership

In verifying schedules submitted by Federal Reserve Agents for inclusion in their annual reports, it has been noted that in several instances the schedules relating to new member banks do not agree with the records of the Board as regards dates of admission.

In order that the practice in this connection may be uniform, therefore, you are advised that the Federal Reserve Board considers that a bank becomes a member of the system on the date indicated under one of the following circumstances:

1. National Banks.

- (a) Ordinarily under the present practice the Comptroller of the Currency does not issue a certificate of authority to begin business until advised by the Federal Reserve Board that it has approved an application for stock and that the applying bank has made the required 50% payment thereon. Under such circumstances the bank becomes a member on the date of the certificate issued by the Comptroller authorizing it to begin business.
- (b) If for any special reason the Comptroller of the Currency should issue his certificate of authority to a bank to begin business prior to the bank having filed an application for stock in the Federal Reserve Bank, the bank becomes a member as of the date the Federal Reserve Agent receives the required payment for stock provided the bank's application has previously been approved by the Federal Reserve Board; if, however, payment is made prior to the Board having approved the application, the bank becomes a member on the date the application is approved.
- (c) Where a state institution converts into a national bank, the stock of the state member bank is transferred to the national bank on the books of the Federal Reserve Bank without the formality of a new application. In

such cases, membership as a national bank begins and membership as a state bank ceases as of the date on which the Comptroller of the Currency issues his certificate of authority to the bank to begin business.

2. State Institutions.

- (a) With reference to state institutions, the present procedure is (1) filing of application, (2) approval by the Board, subject to conditions, (3) acceptance of such conditions, (4) final approval by the Board, (5) payment for stock. Under this order of procedure, the applying institution becomes a member as of the date the Federal Reserve Agent receives the required payment on the stock subscription.
- (b) In case a state bank applying for membership should make the required payment on stock prior to the completion of the other formalities in order, as set forth in the preceding paragraph, membership begins as of the date the Federal Reserve Board gives final approval to the bank's application.

In connection with the Federal Reserve Agents advising the Board by telegraph of payments made on account of subscriptions to stock, it is desirable that the Board be advised in each case on the date on which payment is actually received, the code word "Newcome" being used for this purpose. If, however, for any reason, the telegram is not dispatched to the Board on the date on which payment is actually made, the Federal Reserve Agents, in such cases, are requested to indicate in the telegram the date on which they received payment.

Very truly yours,

G o v e r n o r .

FEDERAL RESERVE BOARD

WASHINGTON

X-3385

April 19, 1922.

SUBJECT: Ruling on Reserves Against Liabilities Resulting
from Receipt and Use of Trust Funds.

Dear Sir:

For some time past the Federal Reserve Board has had under consideration the question of reserves against liabilities which result from the receipt and use of trust funds. At the meeting of the Board today a formal ruling on this question was adopted, a copy of which is enclosed herewith for your information.

Very truly yours,

G o v e r n o r .

(Enclosure)

TO ALL F. R. AGENTS
COPIES TO GOVERNORS.

RESERVES AGAINST LIABILITIES RESULTING FROM RECEIPT AND USE OF TRUST FUNDS.

X-3385a

A national bank exercising fiduciary powers need not carry reserves against trust funds, which it keeps segregated and apart from its general assets, or deposits in another institution. If, however, such funds are mingled with the general assets of the bank under authority of Section 11(k), Federal Reserve Act, a deposit liability thereby arises against which reserves must be carried.

All funds received by a national bank, including funds deposited by a corporate debtor to meet the corporation's maturing obligations, give rise to deposit liabilities against which reserves must be carried, unless the funds are received as trust funds and are kept segregated from the general assets of the bank.

In computing reserve requirements, trust funds deposited by a national bank in another institution must be classified by the latter as an individual deposit rather than a bank deposit.

Whether funds received under certain circumstances are trust funds depends in each case upon the particular circumstances.

These principles are equally applicable to State member banks and trust companies receiving and using funds under like circumstances.

A number of inquiries have been received relating directly or indirectly to the subjects discussed in the two rulings published on p. 1435 of the Federal Reserve Bulletin for December, 1921, and the Board has deemed it advisable to issue this further ruling dealing generally with the same subjects and discussing also certain related questions which have been raised since that time.

Section 11(k) of the Federal Reserve Act, which authorizes the Federal Reserve Board to grant permission to national banks to exercise fiduciary powers, provides in part that:

"National banks exercising any or all of the powers enumerated in this subsection shall segregate all assets held in any fiduciary capacity from the general assets of the bank and shall keep a separate set of books and records showing in proper detail all transactions engaged in under authority of this subsection."

If this provision were not qualified in a subsequent paragraph of the section, all funds received by a national bank in a fiduciary capacity would have to be kept separate and apart from the general assets of the bank and could not be mingled with other funds received by the bank in the course of its strictly banking business. This provision is merely a statement of the general rule of law that a trustee must keep property which it holds in trust segregated from property belonging to the trustee individually or to other trusts. The national bank could, however, unless prohibited by the terms of the trust to which the particular funds belonged, deposit them in another bank for the account of the national bank as fiduciary, for this would not be mingling trust funds with the funds of the bank acting as fiduciary.

It is to be noted, however, that a subsequent provision of Section 11(k) modifies the prohibition against mingling funds held in a fiduciary capacity with the general assets of the bank. The provision in question reads as follows:

"Funds deposited or held in trust by the bank awaiting investment shall be carried in a separate account and shall not be used by the bank in the conduct of its business unless it shall first set aside in the trust department United States bonds or other securities approved by the Federal Reserve Board."

Construing this latter provision, the Federal Reserve Board has, by its Regulation F, Series of 1920, provided as follows:

"Funds received or held in the trust department of a national bank awaiting investment or distribution may be deposited in the commercial department of the bank to the credit of the trust department, provided that the bank first delivers to the trust department, as collateral security, United States bonds, or other readily marketable securities owned by the bank, which collateral security shall at all times be equal in market value to the amount of the funds so deposited."

Consequently, unless prohibited from so doing by the terms of the particular trust, a national bank may deposit in its commercial department funds which it has received in a fiduciary capacity and which are held temporarily awaiting investment or distribution, that is, it may mingle such funds with the general funds of the bank, provided it deposits proper collateral in its trust department as the security to the trust estate for the funds thus used. When, however, trust funds are thus deposited in the bank's commercial department, the bank incurs a deposit liability against which reserves must be carried, since, in effect, the trust department has become an ordinary depositor in the commercial department, and the deposit constitutes in the hands of the commercial department, funds which may be used generally in the conduct of its business.

The result is that if funds received by a national bank in its fiduciary capacity are kept separate from the bank's general funds, so that the property of the trust estate can always be identified, or if the trust funds are deposited in another institution to the credit of the trust department, the national bank is, with respect to such funds, subject to no deposit liability against which it need carry reserves; but as soon as the bank mingles those trust funds with its general funds, it thereupon incurs a deposit liability against which it must maintain reserves. To

state these propositions in another form: No deposit liability results from trust funds deposited in a national bank so long as such funds are carried as trust funds and kept segregated from the bank's general assets. If the terms of the trust permit, the trust funds may be employed in ordinary commercial banking in two ways, both of which, however, will give rise to deposit liabilities; it may transfer the funds to its commercial department, as provided in Section 11(k) of the Federal Reserve Act and Paragraph V of the Board's Regulation F, in which event the national bank will be subject to reserve requirements on account of this deposit in its commercial department, or it may make a general deposit of the funds in another institution for the account of its trust department, and in this event the depository institution will be required to carry reserves against such deposit.

If the national bank receiving funds in its fiduciary capacity deposits those funds in another institution, the liability of that other institution is, as stated above, a deposit liability against which it must carry a reserve balance with its Federal Reserve Bank, if it is a member bank. Such a deposit should be designated in some way as a deposit for account of the national bank as fiduciary and the depository bank must treat it as an individual deposit rather than a bank deposit; that is, in computing its required reserve, the depository bank may not include its liability to the national bank as fiduciary among the amounts due to other banks from which the amounts due from other banks may be deducted. This necessarily results from the fact that the transfer of trust funds to the depository bank constitutes a deposit by the national bank as fiduciary and not a deposit by such bank in its own right and consequently

the deposit is not an item due to banks generally, but is an item due to the national bank as fiduciary and so analogous to an individual deposit.

The same principles must also determine whether funds which are received by a national bank from a corporate debtor to meet the corporation's maturing obligations (such as bonds and coupons) constitute deposit liabilities within the meaning of Section 19 of the Federal Reserve Act. If the funds so received are trust funds and are kept at all times segregated from the bank's general assets, the bank incurs no deposit liability and need carry no reserve against such funds. This is true irrespective of the maturity of the obligations. If, on the other hand, the funds are mingled with the bank's general funds, a deposit liability is thereby created against which reserves must be carried.

Whether or not in any given case funds received by a bank to meet a corporate debtor's maturing obligations constitute trust funds depends upon the express or implied terms of the agreement under which the funds are received and the other circumstances of the particular case. If the bank is acting as trustee under a deed of trust for the holders of the obligations which are to be paid, the presumption would be, in the absence of evidence to the contrary, that it was the intention of the parties that the funds received should be held as trust funds subject to the terms of the deed of trust. On the other hand, if the bank has no duty to the holders of the obligations, and there is no special agreement setting forth the bank's duties in regard to handling the funds, the bank being authorized merely to pay the obligations when and as presented, the presumption would be that the transaction was intended to give rise to an ordinary deposit

liability, the bank having authority to mingle the funds with its general assets and acting merely as the agent of the corporate debtor in paying the obligations.

In the two rulings published on p. 1436 of the 1921 Federal Reserve Bulletin, the Board passed upon the facts of two specific situations but did not attempt to lay down definite rules for differentiating between deposits which constitute trust funds and deposits which give rise to a liability against which reserves must be carried. In the present ruling, however, the Board lays down the broad rule that all funds received by a bank in the course of its commercial or fiduciary business must be treated either as deposits against which reserves must be carried, or as trust funds subject to the ordinary restrictions and safeguards imposed upon the custody and use of trust funds, and that whether a certain deposit falls in one category or the other must depend in each case upon the particular terms and conditions under which it was made.

For convenience, the institution receiving the funds in question has been referred to throughout the ruling as a national bank. It is to be understood, of course, that the principles herein stated are equally applicable to State member banks and trust companies receiving and using funds under like circumstances.

FEDERAL RESERVE BOARD
GOLD SETTLEMENT FUND

X-3386
Washington, D. C.
April 21, 1922.

Summary of transactions for period ending April 20, 1922.

(CONFIDENTIAL)

Federal Reserve Bank of	Balance last statement Apr. 13, 1922.	Gold Withdrawals	Gold Deposits	Aggregate withdrawals and transfers to Agent's fund	Aggregate deposits and transfers from Agent's fund	TRANSFERS	
						Debits	Credits
Boston	\$ 27,921,968.95	\$ 671,850.00	\$ 1,000,000.00	\$ 5,671,850.00	\$ 1,000,000.00	\$ -	\$ 4,000,000.00
New York	136,648,518.90	1,285,600.00	50,000.00	1,285,600.00	50,000.00	9,000,000.00	-
Philadelphia	61,395,967.37	734,099.66	5,000,800.00	8,734,099.66	5,000,800.00	-	2,000,000.00
Cleveland	38,582,408.29	1,237,180.79	7,001,000.00	1,237,180.79	7,001,000.00	-	2,000,000.00
Richmond	31,652,666.26	1,188,990.00	5,049,100.00	1,188,990.00	5,049,100.00	-	-
Atlanta	29,594,293.41	607,000.00	-	4,607,000.00	-	-	-
Chicago	77,308,068.17	985,250.00	5,000,000.00	10,985,250.00	5,000,000.00	-	3,000,000.00
St. Louis	7,057,991.57	659,950.00	1,000,000.00	659,950.00	3,000,000.00	1,000,000.00	-
Minneapolis	27,675,451.70	283,415.00	1,001,350.00	283,415.00	1,001,350.00	-	-
Kansas City	25,283,979.84	1,391,700.00	1,000,000.00	1,391,700.00	1,000,000.00	2,000,000.00	-
Dallas	10,513,905.68	757,450.00	1,000,800.00	757,450.00	1,000,800.00	-	-
San Francisco	33,700,875.18	929,330.00	3,002,000.00	6,929,330.00	4,344,000.00	-	1,000,000.00
Total	\$ 507,336,096.32	\$ 10,731,815.45	\$ 30,105,050.00	\$ 43,731,815.45	\$ 33,447,050.00	\$ 12,000,000.00	\$ 12,000,000.00

Federal Reserve Bank of	Settlements from April 14, 1922 to April 20, 1922 inclusive.				Balance in fund at close of business Apr. 20, 1922.	Summary of changes in ownership of gold by banks through transfers and settlements.	
	Net Debits	Total Debits	Total Credits	Net Credits		Decrease	Increase
Boston	\$ -	\$ 103,958,392.11	\$ 109,483,550.74	\$ 5,525,158.63	\$ 32,775,277.58	\$ -	\$ 9,525,158.63
New York	-	387,757,240.43	403,802,531.92	16,045,291.49	142,458,210.39	-	7,045,291.49
Philadelphia	2,989,162.30	132,488,929.32	129,499,767.02	-	56,673,505.41	989,162.30	-
Cleveland	2,670,795.17	113,384,867.86	110,714,072.69	-	43,675,432.33	670,795.17	-
Richmond	4,795,403.81	101,032,952.28	96,237,548.47	-	30,717,372.45	4,795,403.81	-
Atlanta	-	44,004,533.16	44,786,308.98	781,775.82	25,769,069.23	-	781,775.82
Chicago	13,913,366.80	201,718,113.75	187,804,746.95	-	60,409,451.37	10,913,366.80	-
St. Louis	1,313,059.25	101,119,712.27	99,806,653.02	-	7,084,982.32	2,313,059.25	-
Minneapolis	-	27,874,293.23	28,996,216.73	1,121,923.50	29,515,310.20	-	1,121,923.50
Kansas City	-	70,988,295.98	72,632,402.87	1,644,106.89	24,536,386.73	355,893.11	-
Dallas	-	41,928,249.66	42,281,637.27	353,387.61	11,110,643.29	-	353,387.61
San Francisco	-	55,502,181.89	55,712,325.28	210,143.39	32,325,689.57	-	1,210,143.39
Total	\$ 25,681,787.33	\$ 1,381,757,761.94	\$ 1,381,757,761.94	\$ 25,681,787.33	\$ 497,051,330.87	\$ 20,037,680.44	\$ 20,037,680.44

FEDERAL RESERVE AGENTS' FUND

X-3386a
Washington, D.C.
April 21, 1922.

Summary of transactions for period ending April 20, 1922.

(CONFIDENTIAL)

Federal Reserve Agent at	Balance last statement Apr. 13, 1922.	Gold Withdrawals	Gold Deposits	Withdrawals for transfers to bank	Deposits through transfers from bank	Total Withdrawals	Total Deposits	Balance at close of business Apr. 20, 1922.
Boston	\$ 110,000,000	\$ 10,000,000	\$ 5,000,000	\$ -	\$ 5,000,000	\$ 10,000,000	\$ 10,000,000	\$ 110,000,000
New York	371,000,000	-	-	-	-	-	-	371,000,000
Philadelphia	141,389,260	5,000,000	-	-	8,000,000	5,000,000	8,000,000	144,389,260
Cleveland	165,000,000	-	-	-	-	-	-	165,000,000
Richmond	37,795,000	-	-	-	-	-	-	37,795,000
Atlanta	77,500,000	2,500,000	1,000,000	-	4,000,000	2,500,000	5,000,000	80,000,000
Chicago	333,644,500	5,000,000	-	-	10,000,000	5,000,000	10,000,000	338,644,500
St. Louis	64,800,000	-	1,000,000	2,000,000	-	2,000,000	1,000,000	63,800,000
Minneapolis	16,000,000	-	-	-	-	-	-	16,000,000
Kansas City	39,360,000	-	1,000,000	-	-	-	1,000,000	40,360,000
Dallas	10,000,000	-	-	-	-	-	-	10,000,000
San Francisco	190,640,500	-	-	1,342,000	6,000,000	1,342,000	6,000,000	195,298,500
Total	\$ 1,557,129,260	\$ 22,500,000	\$ 8,000,000	\$ 3,342,000	\$ 33,000,000	\$ 25,842,000	\$ 41,000,000	\$ 1,572,287,260

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FEDERAL RESERVE BOARD

WASHINGTON

X-3387
April 22, 1922.

SUBJECT: Expense Main Line, Leased Wire System, March, 1922.

Dear Sir:

Enclosed herewith you will find two mimeograph statements, X-3387a and X-3387b, covering in detail operations of the main line, Leased Wire System, during the month of March, 1922.

Please credit the amount payable by your bank in the general account, Treasurer U. S., on your books, and issue C/D Form 1, National Banks, for account of "Salaries and Expenses, Federal Reserve Board, Special Fund", Leased Wire System, sending duplicate C/D to Federal Reserve Board.

Very truly yours,

(Enclosures)

Fiscal Agent.

TO GOVERNORS OF ALL BANKS EXCEPT CHICAGO.

X-3387a

REPORT SHOWING CLASSIFICATION AND NUMBER OF WORDS
TRANSMITTED OVER MAIN LINE OF THE FEDERAL RESERVE
LEASED WIRE SYSTEM FOR THE MONTH OF MARCH, 1922.

From	Bank Business	Per cent of Total Bank Business (*)	Treasury Dept. Business	War Finance Corp. Business	Total
Boston	32,179	2.88	9,111	195	41,485
New York	208,355	18.64	14,660	-	223,015
Philadelphia	58,127	5.20	10,831	-	68,958
Cleveland	80,076	7.16	13,619	395	94,090
Richmond	74,233	6.64	11,086	8,629	93,948
Atlanta	77,564	6.94	14,465	5,004	97,033
Chicago	138,134	12.36	12,286	21	150,441
St. Louis	86,881	7.77	14,085	757	101,723
Minneapolis	46,751	4.18	9,229	100	56,080
Kansas City	96,976	8.68	11,586	410	108,972
Dallas	66,533	5.95	7,741	907	75,181
San Francisco	152,014	13.60	24,367	1,121	177,502
Total F. R.					
Banks	1,117,823		153,066	17,539	1,288,428
Washington	327,542	100.00	196,783	4,936	529,261
Grand Total	1,445,365		349,849	22,475	1,817,689
Percent of Total	79.52%		19.25%	1.23%	
Bank Business	1,445,365 words or 80.51%				
Treasury Business	<u>349,849</u> " " <u>19.49</u>				
TOTAL	1,795,214		100.00%		

(*) These percentages used in calculating the pro rata share of leased wire expenses as shown on the accompanying statement (X-3387b).

FEDERAL RESERVE BOARD
WASHINGTON, D. C.
APRIL 22, 1922.

REPORT OF EXPENSE
MAIN LINE
FEDERAL RESERVE LEASED WIRE SYSTEM MARCH, 1922.

X-3387b

Name of Bank	Operators' Salaries	Operators' Overtime	Wire Rental	Total Expense	Pro rata Share of Total Expense	Credits	Payable to Federal Reserve Board
Boston	\$ 250.00	\$ -	\$ -	\$ 250.00	\$ 742.46	\$ 250.00	\$ 492.46
New York	789.98	339.02	-	1,129.00	4,805.39	1,129.00	3,676.39
Philadelphia	225.00	-	-	225.00	1,340.56	225.00	1,115.56
Cleveland	524.00	-	-	524.00	1,845.85	524.00	1,321.85
Richmond	315.00	-	-	315.00	1,711.79	315.00	1,396.79
Atlanta	240.00	-	-	240.00	1,789.13	240.00	1,549.13
Chicago	(#) <u>5,224.08</u>	4.00	-	5,228.08	3,186.40	5,228.08	2,041.68 (*)
St. Louis	300.00	-	-	300.00	2,003.10	300.00	1,703.10
Minneapolis	275.00	-	-	275.00	1,077.60	275.00	802.60
Kansas City	316.66	-	-	316.66	2,237.70	316.66	1,921.04
Dallas	170.00	-	-	170.00	1,533.91	170.00	1,363.91
San Francisco	395.00	-	-	395.00	3,506.07	395.00	3,111.07
Fed. Res. Board			\$17,527.25	17,527.25			
Total	\$9,024.72	\$ 343.02	-	\$26,894.99	\$25,779.96	\$9,367.74	\$18,453.90
				<u>(a)1,115.03</u>			<u>(&)2,041.68</u>
				\$25,779.96			\$16,412.22

(#) Includes salaries of Washington Operators

(&) Amount reimbursable to Chicago

(*) Credit

(a) Received \$1,115.03 from War Finance Corporation covering business for month of February.

FEDERAL RESERVE BOARD

WASHINGTON, D. C.

APRIL 22, 1922.

"CREDIT, CURRENCY AND BUSINESS"

Address by

W. P. G. HARDING

GOVERNOR, FEDERAL RESERVE BOARD

before

THE SOUTHERN WHOLESALE DRY GOODS ASSOCIATION

BIRMINGHAM, ALA.

May 10, 1922.

For Release in Afternoon Papers
Wednesday, May 10, 1922.

X-3388.

CREDIT, CURRENCY AND BUSINESS.

Questions concerning credit and currency are of vital interest to all classes of the community. They concern producers, distributors and consumers alike. The entire population is embraced in this classification and, indeed, in the last analysis the single word "consumer" covers all. While there are many who produce more than they consume and who, therefore, naturally view economic problems from the producer's standpoint, it follows, nevertheless, that as everybody is a consumer the broadest interest is that of the consumer.

The distributors are consumers, but are not producers except in so far as they furnish the means of distribution. Many varied interests are included in the distributor class. All who are engaged in transportation are distributors in a sense and the banks, the dealers in credit, play a very important part in the process of distribution, just as they do in aiding production and in facilitating the economic processes of consumption. The great distributors of the country, however, in the ordinary acceptance of the term, are the merchants, both wholesale and retail. Through them goods and commodities pass from the primary producer or manufacturer to the ultimate consumer. The merchant comes necessarily in close contact with the banks, the purveyors of credit, upon which he calls for accommodation both in making purchases from the producer and in effecting sales to the consumer, with the railroads and steamship lines which make the physical transfer of goods from one place to

another; and his association with the consumer is necessarily intimate.

The merchant buys in order that he may sell, and in ordinary times, in order to meet competition and to satisfy the demands of his customers, he must sell at a close margin, depending upon his volume of business and frequent turnover for his profit. It is to his interest, therefore, that there should be no interruption in any of the various processes incident to the transfer of goods from the producer to the consumer; no congestion of credit and no stoppage of transportation. The merchant must watch the markets closely in order to assure himself, as far as he can, that he will be able to sell at a profit the goods that he buys. He must keep a watchful eye upon his operating expenses and upon his credits, in order that he may offer terms to his customers as favorable as those made by his competitors and meet obligations incurred in purchases by the proceeds of his sales.

Anything which interrupts the ordinary flow of goods to their ultimate market affects him adversely and his own buying power is gauged by the purchasing power of his customers.

Coming, as he does, in contact with practically all factors in the country's economic life, the merchant can sense better, perhaps, than any one else, that intangible but powerful entity known as public opinion, and he can, and does, exert a potent influence in moulding that opinion. In view of the facts to which I have alluded, I feel that it is appropriate to discuss before this audience, composed, as it is, of wholesale merchants, some of the problems relating to bank credits and currency with which it has been the particular province of the Federal Reserve Board to deal.

There is more or less confusion in the minds of some with regard to the three C's - capital, credit and currency. While these words are interrelated, they are by no means synonymous, and an intelligent differentiation of them is necessary for a proper understanding of our present financial and economic problems.

Capital is the permanent fund of productive wealth, the accumulation of the products of past labor capable of being used in the support of present or future labor. It is that part of the product of industry which, in the form either of national or of individual wealth, is available for further production. More specifically, it is the wealth employed in carrying on a particular business or undertaking. It is the actual estate, whether in money or property, which is owned or employed by an individual, firm, or corporation in business and implies ownership and does not, without qualification, include borrowed money.

Credit is the reputation of solvency and character which entitles a man to be trusted in buying or borrowing. The word "credit" is derived from the Latin word "credo", meaning "I trust or believe," and while credit itself is a liability and not an asset to the man who obtains it, the ability to get credit is one of the most substantial resources that an individual can possibly have, and is one which should be guarded with the most jealous and watchful care. One basis of credit is capital; but character - that is, good reputation as to veracity, integrity and ability - is also a basis of credit without which the capital foundation would count for little. The processes of production and distribution are profoundly affected by credit conditions. Modern business is done on credit. One of its life-giving principles is credit. The mood and

temper of a business community are deeply affected by the state of credit. The ultimate test of the functioning of a credit system is found in what it does to promote the production and distribution of goods. Business rests upon its surest foundation whenever there is a proper balance between the volume of credit and the volume of concrete things which credit helps to produce and which are the normal basis of credit. Abuse of credit means shock and disturbance, and gross and continued abuse spells disaster.

Currency may be defined briefly as that which is current as a medium of exchange, that is, which is in general use as money or as a representative of value. It may be gold, silver or engraved slips of paper, which do not require endorsement but can pass readily from hand to hand. By common consent of all civilized nations, based upon the sentiment and traditions of ages, gold is the recognized measure of value and medium of exchange, and is the basis of international settlements. Its purchasing power is, of course, not uniform with respect to all commodities and varies from time to time according to the supply of and demand for the various things for which gold is exchanged, but it is the universal standard, economically, even where it is not legally.

In this country, settlements growing out of business transactions are made for the greater part by checks drawn upon banks, which are negotiable by endorsement. Bank checks, therefore, form an important part of our circulating medium, although in regular course they are outstanding for limited periods of time, soon finding their way into the drawee banks for payment. The total amount of checks drawn by

firms and individuals upon their bank accounts during the course of any single week of the year far exceeds the total volume of all forms of money in circulation.

The greater part of the money in actual circulation is in the form of paper currency, such as Federal Reserve notes, national bank notes, United States Treasury notes, and United States gold and silver certificates. These forms of currency circulate on a parity with gold for the reason that they are redeemable in gold on demand, with the exception of national bank notes which are redeemable in lawful money, and silver certificates which by their terms are redeemable in silver dollars, but they in turn are protected by the obligation and ability of the Government to maintain them at a parity with gold.

The older generation of business men can remember the years following the Civil War, when the currency in circulation was composed of national bank notes and Treasury notes, known as greenbacks, which were not redeemed in gold. Consequently, gold coin ceased to be a medium of circulation and became an article of commerce, its value in terms of paper money fluctuating from day to day and prices and wages were expressed in terms of this irredeemable paper, just as is the case in Continental Europe and to some extent even in England today.

Merchants in those days who bought goods abroad paid for them on the basis of gold and resold them in terms of paper currency which had a fluctuating value in terms of gold. Since the first of January, 1879, the United States has been on a gold basis and the purchasing power of a paper dollar has been at all times the same as that of a gold dollar.

There have been times, however, when the suspension of gold payments and a return to a fluctuating paper currency seemed imminent, but these crises have always been passed successfully and today all currency of the United States is redeemed in gold without question and is on a parity with gold both at home and abroad.

There has always existed, however, in this country some latent sentiment in favor of a paper currency based not upon gold but upon the faith and credit of the Government. This sentiment in favor of fiat money, that is, paper currency issued by the Government as such but not based on coin or bullion and containing no promise to pay in coin, has always become more intensified in the periods of reaction and depression which have followed those of extreme activity and prosperity. Before the panic of 1873 there was much agitation for paper money. Later on, however, the soft money advocates were divided; some favored a repeal of the Resumption Act and the issue of more Treasury notes, or greenbacks, while others clamored for the free and unlimited coinage of silver dollars. The greenback idea was defeated, but in 1878 the compulsory coinage of a limited amount of silver dollars began and continued until shortly after the panic of 1893.

Following that panic, soft money advocates united substantially in favor of the free and unlimited coinage of silver at the ratio of 16 to 1, although there was some sentiment in favor of state bank notes in addition. In due time the economic forces of the country asserted themselves, and there was

gradual and continued improvement in commerce and industry. In the course of a few years the free silver doctrine ceased to be an issue.

It was realized, however, even during the good times which preceded the panic of 1907, that there were grave defects in the banking and currency system of the country. There were more than 25,000 banks in the United States, each standing virtually alone. In accordance with the requirements of law and in order to be able to pay their depositors, all banks kept certain amounts of gold and currency on hand and most of them maintained credit balances with other banks in the larger cities, these balances being in most cases part of their required reserves. In ordinary circumstances, the funds on deposit with the city banks could be withdrawn in currency by the country banks whenever they desired, but when business and credit conditions were disturbed, and a spirit of mistrust and suspicion pervaded the country, many banks would seek to increase the amount of actual cash on hand in order to reassure depositors who might otherwise wish to withdraw their money.

It was in those times that the large city banks were least able to supply the currency, for the available supply was limited and there was no quick way of increasing it. A large part of the circulating medium in those days consisted of national bank notes which were secured by Government bonds. Under the law no national bank notes could be issued by any bank in an amount in excess of its own capital stock and as many national banks had already issued their maximum quota in order to realize the small profit obtainable thereby, while

others found it impracticable to acquire the bonds which were necessary to secure additional circulation, it was impossible to increase the supply of national bank notes rapidly or to any great extent.

Our inflexible currency system had much to do with the money panic of 1907. Fearing trouble, many of the 25,000 banks sought, each for its own protection, to withdraw such currency as it could from other banks and pay out as little as possible to depositors. Emergency measures could not be resorted to in advance of actual panic, for they would, in themselves, have produced a panic, and while steps were taken finally to conserve the cash resources of the banks they came too late to prevent trouble and the existing banking machinery fell apart into thousands of separate units. Each bank was obliged to rely largely upon its own cash resources, because, however willing, other banks felt that they could not surrender much of their own cash, for by doing so they might impair their ability to meet the possible demands of their own customers. Thus each bank, in seeking to protect itself, weakened the banking structure as a whole. The defenses were weakest when the danger was greatest.

The panic of 1907 convinced the country that something must be done to prevent similar occurrences in the future. In the following year Congress created a Monetary Commission which after a long and thorough study of the banking systems of the world submitted an elaborate report, and a draft of a new banking and currency bill. During the year 1912 a committee of the House of Representatives investigated banking methods in this country and in its report pointed out the fundamental defects in the system then existing. Early in the year 1913 Congress took up the matter of banking reform in earnest and the Federal Reserve Act was put upon the statute books before the close of that year.

There has been no money panic in this country since the Federal Reserve Act became a law. This statement, in itself, has no particular significance, for less than nine years have elapsed since the passage of the Act, and there have frequently been periods of more than nine years when the banks of the country have been able at all times to supply the currency demanded of them. But when we consider the events which have taken place during the past nine years and what has been accomplished and prevented by reason of the operation of the Federal Reserve System, the conclusion is inescapable that the enactment of the Federal Reserve law was a most conspicuous example of valuable constructive legislation.

The Federal Reserve Banks were not opened for business until nearly a year after the passage of the Federal Reserve Act and consequently the Federal Reserve System could do nothing to mitigate the shock which the banking, commercial and industrial interests of the country experienced when the great European War broke out unexpectedly in August, 1914.

The Federal Reserve Act, however, continued in effect until June 30, 1915 the provisions of the Aldrich-Vreeland Act of 1908, which would otherwise have expired by limitation on June 30, 1914. Under this law it was possible for national banks, by forming themselves into associations, to issue national bank notes, on approved collateral other than United States bonds, such notes being subject to a tax at the rate of 3 per cent per annum upon the average amount in circulation for the first three months, with a graduated increase of one-half of 1 per cent per annum for each month thereafter until a maximum rate of 6 per cent per annum was reached. Under the provisions of this Act, as extended, the national banks of the country were able to provide for themselves and for their state bank neighbors sufficient currency to meet the demands of business and of nervous depositors, without resorting to the suspension or restriction of cash payments, which expedients were employed during former crises.

After the Federal Reserve Banks began business in November, 1914, and up to the entrance of our own country into the War in April, 1917, the stabilizing influence of the new system was so great that events which otherwise would have been most disturbing produced not the slightest tremor in banking circles.

Let us now contrast the effect upon our present banking system of our participation in the greatest war of all history with the effect upon our earlier banking structure of the Civil War. It is true that the country had increased greatly both in population and wealth between the years 1861 and 1917, but wars in the '60s were conducted on

a far smaller and less expensive scale than now. President Lincoln's first call for troops was for 75,000 men and in no battle of the Civil War were more than this number actively engaged on a side. One modern battleship represents a greater cost than the entire United States Navy in the Civil War, and aerial warfare was, of course, undreamed of sixty years ago.

With the imminence of the Civil War, the banks generally suspended specie payments and after a brief period of resumption later on were forced to suspend them again for many years. Both the United States and Confederate Governments were obliged to resort to the issue of paper money. The gold value of United States currency declined at one time to about 40 per cent of par, while Confederate currency, constantly depreciating, had its further decline accelerated with each successive new issue until toward the close of the struggle its purchasing power was hardly as great as that of some of the European currencies of today.

During the years 1917 and 1918 the United States had under arms at one time as many as 4,000,000 men, exclusive of its vast naval establishment. There were floated between June, 1917 and October, 1918 four issues of Liberty Bonds, aggregating in all \$16,978,000,000, and during these two years the Federal Government collected \$5,425,000,000 in taxes. Notwithstanding these vast financial operations, there was no money panic, nor at any time any serious credit disturbance. The volume of Federal Reserve notes in circulation, which stood at \$376,510,000 at the beginning of the War, amounted to \$2,553,196,000 at its close, but the gold parity of these notes and all other forms of currency was

maintained and there was never a time when the purchasing power of a \$20 Federal Reserve note was not the same as that of a \$20 gold piece.

The maximum amount of Treasury notes, or greenbacks, outstanding at any time during the Civil War was \$449,338,902, and the purchasing power of these notes at one time was little more than one-third of a corresponding face amount of gold.

The crucial test, however, of the Federal Reserve System came after the end of the World War.

It was realized that the signing of the Armistice which ended the war from a military standpoint did not end it in a financial sense and during the early months of the year 1919 there was a lull and much hesitation in business. The successful flotation, however, of the Victory Loan in May of that year was regarded as the end of the war in a financial sense and a period of great activity set in.

It was evident that four years of war had greatly impaired the productive capacity of Europe and had greatly reduced stocks of goods and supplies of all kinds. There was a general impression that there was a world-wide shortage of goods and that Europe in replenishing her supplies must continue to draw heavily upon the productive capacity of the United States, just as had been the case ever since the year 1915. This impression was deeply engrafted upon the minds of the public and for a time European needs were so urgent that they had to be supplied at any sacrifice. At the same time a substantial part of the sum which during the war the United States had agreed to advance to foreign

nations was still unexpended and these funds were used during the year 1919 in payment of goods exported to Europe.

Many shrewd business men looked forward confidently to several years of commercial and industrial activity and made their plans upon the assumption that prices would either advance or remain stable and that a return to the pre-war level or a serious decline in the immediate future was most improbable. Farmers incurred obligations for additional land at a valuation based upon the commodity prices then existing, merchants extended their business and manufacturers prepared to increase their productive capacity by making additions to their plants, regardless of the fact that such additions could be made only at costs much higher than normal.

The prevailing opinion was that we had entered into an era of high prices and that there would be for some time a serious shortage of goods. Many jobbers called in their salesmen and were obliged to scale down the orders which poured in by every mail. Prices advanced week by week and many producers and merchants were reluctant to sell, for advancing prices were accompanied by higher wages and greater production costs.

Credit was freely used, not only in production at high cost, but in withholding goods from the market, and inventories and bank statements everywhere showed an expanded condition which would have been regarded as unthinkable a few years before.

It is not difficult now to point out the essential fallacy in the position which was taken and to explain the logical and inevitable

reaction which took place, a reaction, however, which many did not foresee until too late. The error lay in the incorrect estimate of consumptive requirements. We can see now that instead of there being a shortage, there was in fact a fictitious demand, if not in some industries an over-supply. A grave mistake was made by manufacturers, merchants and farmers in basing their plans upon the normal relationship between production and consumption at a time when conditions were anything but normal. There was, indeed, no question as to the need of Europe for American goods and supplies, and estimates as to American consumption, perhaps justified potentially, did not take sufficiently into account the effect of extremely high prices upon the volume of consumption. A continued demand for goods depends in the long run upon the buying power of the consumer. What one can not get at all, he must do without, and when he cannot obtain all that he needs he must be satisfied with a part. The mere need for goods, however urgent, does not create an economic demand. There must be an ability on the part of those needing goods to satisfy the need, by exchanging other goods, by rendering service, by paying cash or by tendering some acceptable form of credit obligation.

Millions of people in some of the European countries were obliged to deny themselves a part of their accustomed food supply, to forego purchases of clothing and other things which ordinarily would be regarded as absolutely necessary. Luxuries were impossible and in many cases articles so classed were sacrificed in order to provide the irreducible minimum of the necessities of life.

The effect of high prices in this country was reflected finally in reduced consumption and in the latter part of March, 1920 those who

had dreams of a long continuance of the conditions which had existed up to that time were rudely awakened by the collapse of the silk market in Japan. By this time public opinion began to undergo a change and public opinion is a powerful force, more potent than banking boards, or legislative bodies. The curtailment of buying became more and more noticeable. What has since been referred to as the "buyers' strike" manifested itself everywhere throughout the United States and in other countries as well; and in quick succession the drastic reactions in commodity prices began to take place. Many who had been anxious to buy cancelled orders and withdrew from the market, while others who had been reluctant to sell became nervously eager to dispose of their goods.

Banks began to find that loans which they had regarded as being collectible at any time desired could not be repaid in the altered circumstances and must be carried along. Recourse was had in increasing degree to the Federal Reserve System which responded to all legitimate demands and which should be credited with preventing the commercial crisis which followed from developing, as would otherwise have been inevitable, into a most disastrous money panic.

During the year 1920, when these drastic changes in price levels were taking place, the total earning assets of the Federal Reserve Banks, which include rediscounts for member banks, increased from \$3,039,000,000 at the end of January to \$3,396,000,000 at the end of October. At the same time there was not only no contraction in Federal Reserve note currency, but on the contrary there was an almost continuous expansion in the volume of Federal Reserve notes in circulation, the amount increasing from \$2,844,000,000 on January 23rd to \$3,404,000,000 on December 23, 1920,

a record high mark.

These figures should be impressed upon the minds of the public, for the unwarranted statement is often made that the Federal Reserve authorities deliberately set out to bring about deflation and to accomplish this purpose caused sharp curtailment of credit and drastic contraction of the currency.

The Federal Reserve Banks are required by law to maintain certain specified reserves against their deposit and note liabilities. Provision is made for the suspension of reserve requirements, under certain penalties, and the law authorizes the Federal Reserve Board to permit or require one Federal Reserve Bank to rediscount paper for another, in order that a part of the cash resources of a bank having excess reserves may be diverted temporarily to another bank which otherwise would be deficient in reserve. The Federal Reserve Board is also empowered by law to reject in part or altogether any application made by a Federal Reserve Bank for Federal Reserve notes, and it is permitted at its discretion to impose an interest charge on that part of the Federal Reserve note circulation which is not specifically covered by gold, but such a charge was never imposed.

At one time during the fall of 1920, when the strain was greatest, one Federal Reserve Bank was neither borrowing from nor lending to other Federal Reserve Banks, and three Federal Reserve Banks were lending large amounts to the remaining eight Federal Reserve Banks. Interbank rediscounting was a continuous process all during the year 1920 and during part of the year 1921.

Interbank rediscounts reached their peak late in October 1920, when they amounted to \$267,000,000. In the autumn of 1920 the total accommodation extended by all Federal Reserve Banks to their member banks aggregated approximately \$2,750,000,000, as compared with a total of \$59,000,000 of rediscounts and bills payable for all national banks in the United States in the autumn of 1907, just before the panic of that year.

Had the Federal Reserve Board desired to curtail credits and contract the currency, it could have done so most effectively by the exercise of its legal authority to refuse to permit one Federal Reserve Bank to rediscount for another, and to decline applications for Federal Reserve notes. But the Board arranged promptly all rediscounts asked for, and approved immediately all requests for Federal Reserve notes.

The events of the past two years have shown that there is often no clear and immediate relationship between commodity prices and the volume of credit and currency. According to the quantitative theory of money, broadly speaking, as the supply of money increases its value decreases and consequently the value of the things for which money is exchanged increases. But it is obvious that this is subject to very definite limitations and involves other factors, such as the volume of trade and production, the rapidity of turnover or velocity of exchanges, and likewise public confidence. Loss of confidence may often lead to heavy hoarding, and what have recently come to be known as "frozen loans" slow up greatly the turnover of credit. Both may result in an actual contraction, although there is no apparent change in the nominal amounts outstanding.

During the years 1915 and 1916, when there was an influx of gold

into this country of more than one billion dollars, in payment of purchases of American goods by the warring nations of Europe, prices and wages advanced sharply. On the one hand, there was an increase in our basic stock of money and on the other, no corresponding increase in the volume of goods available for domestic consumption; an advance in prices and wages was a natural consequence. Had it been possible to increase the volume of goods and commodities as rapidly as the volume of gold increased, the advance in prices would certainly have been less pronounced.

Then again, when specie payments are suspended and a country undertakes to meet the enlarged requirements of its government and its commerce by increasing its issues of irredeemable paper currency, prices and wages naturally advance. It should be remembered that the issue of irredeemable paper currency, while sometimes unavoidable in times of war, is merely a forced popular loan and that one issue tends to bring on another, each successive step adding to the depreciation. Germany by turning loose a flood of paper money has reduced its value more rapidly than she has added to the quantity. The German mark, whose normal value was about 4 marks to the dollar, has now depreciated to a point where one dollar of American money will purchase about 350 marks. Russia has carried its currency inflation to such extremes that she has practically destroyed the value of her paper money altogether. Normally a dollar would buy about 2 rubles, while now one dollar will purchase about 4,000,000 rubles.

Gresham's Law lays down the principle that a superior and inferior currency cannot circulate together, that the inferior drives the superior out of circulation and into hiding. The depreciation of currency in some

European countries has gone so far as to make it very difficult and inconvenient to transact business through the medium of these currencies, the physical volume of an amount sufficient for ordinary retail transactions being so great as to make it impossible to carry it around on one's person. Then again as the depreciation is continuous and constant, traders are unwilling to accept paper money unless they can exchange it immediately for something else. Consequently in those European countries where the currency is most greatly depreciated, direct exchanges of goods for goods are made; and in some places gold is being brought out of hiding and is performing once more, in a limited way, its accustomed function as a medium of exchange. Thus it is apparent that when a currency has depreciated to the vanishing point, Gresham's Law no longer holds good.

It is not the function of the Federal Reserve System nor of any banking system to attempt to fix or control prices; and the Federal Reserve discount rates have never been established with that idea in view. As a matter of fact, they have always been lower than current rates given by member banks to their customers, and due to peculiar circumstances have in fact followed rather than led the rise and fall of current rates. Banks are chiefly concerned with prices only in so far as the security of their loans may be involved, and they are interested more in the stability of prices and their margin of collateral than in the general price level itself. Banks do not create general conditions but they must adjust themselves to changing conditions, which, in recent eventful years, have been brought about by unseen and irresistible forces throughout the world.

Federal Reserve notes have never been issued or redeemed with a

view to affecting prices. They are in fact but a very small element in the volume of credit through which the vast exchanges of the nation are made. Increases or decreases in the volume of Federal Reserve notes in circulation accompany advancing or declining business activity, prices and wages. An increase or decrease in the volume of Federal Reserve notes outstanding is not the result of any preordained policy or premeditated design, for the volume of such notes in circulation depends entirely upon the activity of business, or upon the kind of activity which calls for currency rather than book credits.

Federal Reserve notes can be issued only against collateral in an amount equal to the sum of the Federal Reserve notes applied for, which collateral security must be notes and bills discounted or acquired by the banks or gold or gold certificates. The law requires each Federal Reserve Bank to maintain a reserve of 40 per cent in gold against its Federal Reserve notes in actual circulation.

The Federal Reserve Banks do not make loans direct to the public. They can rediscount only eligible paper bearing the endorsement of a member bank which paper represents loans made by such member banks to their customers. Federal Reserve Banks have nothing to say to member banks about what loans they shall make to their customers. In ordinary times member banks make such loans out of their own resources and do not call upon the Federal Reserve Banks for accommodation except for seasonal requirements or in emergencies. During the peak of the credit strain the maximum rediscounts and bills payable of member banks with the Federal Reserve Banks did not exceed 14 per cent of their total loans and discounts.

It follows, therefore, that the volume of rediscounted paper carried by Federal Reserve Banks fluctuates far more sharply up and down than the total of loans and discounts of the member banks. As the credit strain relaxes, customers reduce their loans with the bank with which they deal, and that bank naturally reduces its line of rediscounts at the Federal Reserve Bank, and thus as the credit strain relaxed during the year 1921, the loans of the Federal Reserve Banks to their member banks decreased in the natural and orderly course of business about \$1,500,000,000. Furthermore, concurrently with the payment of the paper discounted with Federal Reserve Banks Federal Reserve note currency has come back to the Reserve Banks and in the absence of a demand for it, has not been reissued. When the demand for Federal Reserve notes falls off the banks which hold them send them to the Reserve Banks for credit, and there necessarily results an automatic increase in the percentage of gold reserve available for their redemption. Federal Reserve notes are not legal tender, nor do they count as reserve money for member banks. They are issued only as the need for them develops and as they become redundant in any locality they are returned for credit or for redemption to the Federal Reserve Banks or to the Treasury at Washington. Thus, there cannot be at any time more Federal Reserve notes in circulation than the needs of the country at the prevailing level of prices and wages require, and as the demand abates the volume of notes outstanding will be correspondingly reduced through redemption.

Federal Reserve notes being but a small element in the total volume of credit, and the bulk of our business being carried on by checks drawn against bank deposits, the really important thing is the total volume of

bank credit and whether this can increase or decrease automatically according to the needs of business and agriculture. Under the Federal Reserve System, as business expands, as labor is more fully employed and as production increases and distribution becomes more active, there follows a demand for greater discount accommodations and a need for more currency, and the increased volume of discounts furnishes a means of providing the increased volume of currency required.

While the general level of prices and the total volume of credit - that is deposits and currency - correspond roughly in their movements, prices of individual commodities often fluctuate in directions opposite to the general movement. For example, last September there was a sudden and marked advance in the price of cotton. This advance was not due to any increase in the loans of Federal Reserve Banks nor to any expansion of the currency. In fact, the amount of Federal Reserve notes in circulation on September 15th, when cotton was selling at about 21 cents a pound, was about \$500,000,000 less than when cotton was selling at 11 cents a pound in the Spring. The advance in the price of cotton was due to economic causes and to the operation of the law of supply and demand. After the report of the Department of Agriculture, early in September, the world awakened to the fact that the cotton crop was abnormally small, and it was thought at one time that less than seven million bales would be produced. As the ginners' reports were made, it became evident that the Department of Agriculture had under-estimated the size of the cotton crop and the price declined four or five cents a pound.

This decline took place notwithstanding the reduction which was made about the same time in the discount rates of all Federal Reserve Banks, in-

cluding those in the South. The fact should be emphasized that the net advances which have taken place in recent months in the price of cotton and other agricultural products have been due, not to credit or currency expansion but, to smaller supplies and to increased demands for consumption.

For reasons already explained there has been a steady and practically continuous decrease in the volume of Federal Reserve notes in circulation since the latter part of December, 1920, reflecting general conditions. As I have said, most of the business of the country is carried on through the medium of bank checks, and the volume of currency in use depends largely upon the activity of the industries and retail trade. Notwithstanding the smaller volume of Federal Reserve notes in circulation, bank deposits now show a tendency to increase. On March 10, 1922, the deposits of all national banks in the United States aggregated \$15,390,438,000 as compared with \$14,560,852,000 on September 6, 1921.

Prices of farm products, the things which the farmer has to sell, declined more rapidly than the price of merchandise and various things which the farmer has to buy. The result was a curtailment in farmers' purchases which soon had a serious effect upon commerce and industry. For several months past, however, prices of farm products have shown an upward tendency, while retail prices of goods have declined.

Prices of some commodities, as furnished by the Bureau of Markets of the Department of Agriculture, on April 15, 1921 and April 15, 1922, were as follows:

Commodity	Market	Description	Quotation	
			April 15 1921	April 15 1922
Cotton	New Orleans	Middling	.11 $\frac{1}{4}$.16 $\frac{3}{4}$
Corn	Chicago	No. 2 mixed	.53 $\frac{1}{2}$	* .58 $\frac{1}{2}$
Wheat	Minneapolis	Spring No. 2	1.45	* 1.57
Oats	Chicago	No. 2 white	.37	* .38 $\frac{1}{2}$
Hogs	Chicago	Average price	8.50	10.15

Interest rates have declined in all sections of the country. The $4\frac{1}{2}$ per cent Liberty Bonds have advanced from an average price on April 15, 1921 of about \$88.48 to within a fraction of par at the present time. Twenty-five representative railroad stocks advanced from an average of \$51.70 on April 15, 1921 to \$62.25 on April 15, 1922, twenty-five industrials from \$84.10 to \$96.19, fifty railroad and industrial stocks from \$67.90 to \$79.22, and forty listed bonds advanced from an average of \$69.89 on April 15, 1921 to \$79.97 on April 15, 1922.

The situation today in many respects is exactly the reverse of that which existed at the end of the year 1919. Surplus goods of all kinds have gone into consumption and statements of merchants throughout the country show a marked reduction in the volume of goods on their shelves. The fact that a revival in agriculture has come much sooner than had been expected by those who regarded the low prices of last summer as permanent has brought new hope and courage to the agricultural districts and affords a basis for the belief that there will, in due time, be a distinct business improvement in those districts.

While the situation abroad is still complicated and will doubtless continue so for many years, there are many indications of improvement. The exchanges of some of the leading European countries have become far more stable during the past twelve months and the pound sterling in particular has made a distinct advance toward its normal parity, the present quotation being about \$4.44 as compared with \$3.92 on April 15, 1921.
(*) Quotations for April 13, 1922.

American tourists are flocking to Europe this summer in large numbers and the sums they expend abroad will add to the ability of the foreigners to buy American goods.

The past seven years have been full of momentous and stirring events and merchants have had their trials and their burdens to bear as well as all other classes. The world-wide reaction which followed the abnormal activities of the early post-war period had a serious effect upon the business of wholesale merchants, but it is gratifying to know how well they have stood up under the strain, and in view of the evidences of improvement which are now apparent in all sections of the country it seems to me that the time has come when the enterprising business men may well let others indulge in lamentations and recriminations over the past and devote his energies to working out the problems of today and preparing for the business of tomorrow.

Remember that this country of ours has never failed to demonstrate its tremendous recuperative power and that the processes of production, distribution and consumption will be continuous as long as humanity endures. Let the merchants exercise their function as distributors. If business is dull, send out your traveling men; use printers ink - advertise liberally but judiciously, and the business that you thus create for yourselves will stimulate production and by reducing the number of unemployed will add to the purchasing power of your customers.

In the words of Edward Everett Hale, let us

"Look up and not down,
Look forward and not back,
Look out and not in,
Lend a hand."

FEDERAL RESERVE BOARD
STATEMENT FOR THE PRESS

For release in Morning Papers,
Tuesday, May 2, 1922.

The following is a review of general business and financial conditions throughout the several Federal Reserve Districts during the month of April, as contained in the forthcoming issue of the Federal Reserve Bulletin.

Pronounced increase of activity has been characteristic of many basic lines of industry during the past month. It has been particularly noticeable in the metal working industries, while metal mining operations have also reflected the tendency to an upward movement. In steel and iron manufacture it is now estimated that, taking the industry as a whole, about 70 per cent of plant capacity is being utilized. The reopening of many of the important copper mines is partly the result of the great reduction in surplus copper stocks and partly the outcome of increased demand, both domestic and foreign. There has been a decided increase in physical output of zinc and some advance in lead ore prices. The automobile trade has shown a very decided gain, the March output both in trucks and passenger cars being more than 50 per cent ahead of that for February while many plants are reported as fully employed.

Active demand for building materials has had a favorable effect not only upon the metals but also upon other lines of industry. The total value of building permits for March was almost twice as great as that for February and more than twice as great as that for

March, 1921. The lumber industry has notably expanded operations.

In cotton textiles the month has been much less encouraging.

There has been a reduction in mill activity, largely due to the widespread strikes in the New England districts. On the other hand, demand for cotton goods has been fairly well sustained. In the southern districts mills generally continue to operate at a level close to full capacity, although with some tendency to accumulation of stocks. Boots and shoes have shown great irregularity as between different producing districts. Very much the same is true of the woolen manufacture. A conspicuous development has been the shifting of demand from worsteds to woolens.

Leaving out voluntary unemployment, the result of strikes, a decided increase in the number of employees at work is noted. There has been a 2.5 per cent increase during the month in the number of workers employed by firms reporting to the U. S. Employment Service. The improvement noted will, however, be offset to some extent by the widespread unemployment in the coal mining industry as well as in the New England textile centers.

Wholesale and retail trade have reflected to some extent the improvement in industrial conditions. Such improvement is in part seasonal but also contains an element of growth due to better business conditions. Figures compare favorably with those of a year ago, particularly in hardware lines which are affected by the greater activity in building. In the retail trade also a very general advance has taken place, in spite of the late Easter and the bad condition of the roads in the rural sections. Agriculturally the month has not been altogether promising. Spring

planting has been retarded by the cold weather and continued rains.

Prices continue relatively stable. The Federal Reserve Board's wholesale price index for March advanced one point. Few conspicuous changes in the prices of entire groups of commodities are indicated.

Financially the month shows the same tendencies as during March and February. Foreign exchange has been much more stable. Interest rates have continued on a very low basis with slight tendencies to decline. An apparent shrinkage of commercial credit has been indicated by further falling off in the rediscounts of the Federal Reserve Banks, although an upward movement is again to be noted in the loans and discounts of member banks in many parts of the country. A more promising outlook in export trade is apparently indicated by another growth in our favorable balance, although it is still uncertain whether this is due to temporary causes or to a general revival of European demand.

But for labor disturbances the industrial outlook would be pronounced definitely good with evident promise of improvement even in those directions, such as foreign trade, in which heretofore prospects have been unsatisfactory.

AGRICULTURE: Current production of winter wheat was estimated on April 1 to amount to 572,974,000 bushels, or 2.4 per cent less than in 1921; while production of rye was estimated at 69,667,000 bushels, or about 20 per cent greater than the crop of 1921. Condition of winter wheat in District No. 10 (Kansas City) was greatly benefited by snows and rains during March and the first week of April, but in sections of the Great Plains much of the wheat was killed by the long dry season which extended from early autumn to the latter part of the winter. In District No. 8 (St. Louis) the winter wheat crop has a fine stand and good root growth, although floods have entirely destroyed the crop upon thousands of acres of bottom lands. Winter grains are in fine condition in District No. 7 (Chicago) and little wheat acreage has been abandoned.

The planting of spring crops has been much delayed due to the cold weather and continued rains. District No. 8 (St. Louis) reports that there are slight increases in acreage of corn planted in Arkansas, Mississippi and Tennessee, while there are smaller plantings in Kentucky. An increase in corn acreage is reported from District No. 10 (Kansas City), but seeding of oats has been greatly retarded by wet weather. Wet soil also has interfered with the planting of potatoes in Kansas and Nebraska, although indications still point to a normal acreage. Contracts for sugar beets signed prior to April 8 provide for 111,550 acres in Colorado, 44,919 acres in Nebraska, and 13,000 acres in Wyoming at a minimum price of \$5 per ton of beets. In District No. 7 (Chicago) wet weather has prevented many farmers from sowing oats which may cause an increase in the acreage of corn. Precautions are being taken to prevent the European corn borer from reaching the corn belts from infested territory in eastern states. Sowing of

barley has been delayed in District No. 12 (San Francisco), but it is estimated that total plantings will be about as large as in 1921. Wheat fields in Washington, Idaho, and Utah were protected by snow all winter, and the melted snow has insured a plentiful supply of moisture.

COTTON. The acreage planted to cotton this year will be greater than in 1921, according to reports from 167 counties in Texas. There is still much doubt as to the size of this increase, however, and recent rains have resulted in considerable abandonment. Acreage of cotton planted in Oklahoma will be slightly larger than in 1921, although planting has been restricted in those counties which suffered heavily from the boll weevil. District No. 8 (St. Louis) states that planting has been impeded by excessive moisture, but that acreage will be 16 per cent larger than last year in Arkansas, and about the same as last year in Missouri. Some localities in that District report increased sales of fertilizer, but comparatively little has been bought in District No. 5 (Richmond),

The price of middling upland cotton at New Orleans on April 19 was 17 cents, as compared with 16.75 cents on March 15. A very active cooperative selling movement has been developed among the farmers of District No. 5 (Richmond), and an effort is being made to persuade growers to contract to sell through this association for five years. Many farmers have already signed contracts which pledge thousands of bales to this pool.

TOBACCO. In most districts, tobacco has practically all been delivered by the farmer. Burley growers are reported to appear well satisfied with the results obtained by their association up to this time, and active attention is being given both in the western dark districts and in the eastern districts to the formation of similar marketing organizations. Preparations are being made for a full sized crop of Burley and dark tobacco in District No. 8 (St. Louis) while in District No. 4 (Cleveland) a somewhat larger crop is expected than last year, when the acreage was below the average. A leading dealer in District No. 5 (Richmond) states that "the leaf tobacco trade is in a far more healthy condition than it has been in the last two years and we think it is gradually improving each month." Little recent activity is reported in the Pennsylvania leaf market. Estimates indicate that approximately 25 per cent of the 1921 crop is still held by the growers. In general the demand for cigars in that District has increased within the past month, but many evidences of depression are still found in the industry. Operations average between 60 and 70 per cent of capacity.

FRUIT. Shipments of citrus fruit from California and Florida during March were considerably smaller than in March, 1921, due to a decided curtailment in the shipments of oranges. March shipments of oranges amounted to 6,701 carloads, a decrease of 14 per cent from the shipments a year ago, while shipments of grapefruit amounted to 2,233 carloads, an increase of 6 per cent, and of lemons, 940 carloads, an increase of 0.4 per cent. District No. 6 (Atlanta) reports that large

markets are rapidly absorbing at increased prices all citrus fruit offered. Prices of oranges are higher than they have ever been before at this time of the year, and grapefruit prices have risen as a result of the shortage of oranges. Reports from District No. 12 (San Francisco) indicate that almost all the navel orange crop was shipped by the middle of April, as a result of the strong demand.

Reports from all sections of the country indicate that the prospects for the deciduous fruit crop are exceptionally good. District No. 5 (Richmond) states that continued cold weather has prevented unseasonably early development of fruit trees and that the outlook for a large crop is excellent. Apple and peach orchards in District No. 8 (St. Louis) have been subject to more careful cultivation than in former years, and the Arkansas strawberry crop will probably exceed all previous yields. Heavy rains have given an adequate supply of soil and surface moisture for the growing season in District No. 12 (San Francisco), while the backward spring has delayed budding and minimized the dangers from frost. The apricot crop which has been infested by apricot dry rot and injured by frosts is the only fruit crop reported to be in poor condition.

GRAIN MOVEMENTS. Grain receipts at 17 reporting interior centers decreased considerably during March, although receipts of rye and barley increased. This decline was due to a reduction in exports, unfavorable weather conditions, and uncertainty concerning the size of the new crops. Corn receipts, which reached a record volume in February, declined 47 per cent during March, due to heavy reductions at Chicago, St. Louis, Peoria, and Indianapolis. Receipts of wheat were 15 per cent smaller than in March, the declines being most pronounced at Kansas City, Wichita, and

Omaha. Receipts of both corn and wheat at Duluth were considerably larger in March than in February. Rye receipts at reporting centers increased 110 per cent during March, this increase also being most marked at Duluth. Receipts of barley were 40 per cent greater than in February, most of the gain being recorded at Minneapolis and Milwaukee. Total receipts of grain at nine seaboard centers increased during March, although receipts of corn and rye were somewhat diminished. Stocks of wheat and barley at both interior and seaboard centers declined during March, while corn stocks continued to accumulate.

FLOUR. March production of flour exceeded that of February in almost all Districts, the estimated figure for the United States being 9,658,000 barrels, as compared with 9,232,000 barrels in February. Reported output in District No. 9 (Minneapolis) was 2,053,800 barrels, as compared with 1,802,781 barrels in February, an increase of 13.8 per cent. In District No. 10 (Kansas City) production increased from 1,498,813 barrels in February to 1,736,507 barrels in March. Eleven leading mills in District No. 8 (St. Louis) showed production increased from 260,472 barrels to 329,428 barrels, while 48 millers in District No. 7 (Chicago) showed an increase of 10.2 per cent, the March figure being 449,568 barrels. In District No. 12 (San Francisco), however, output declined from 795,650 barrels in February, for 64 mills, to 707,202 barrels in March, for 61 mills. In all Districts, however, production was in excess of that in March, 1921. Business in general is described as dull, and millers in District No. 10 (Kansas City) assert they are facing the necessity of curtailing operations unless there are increased bookings or orders, both for domestic and foreign

trade. Prices, however, continued strong, mainly in sympathy with the strong position of cash wheat, and hence increased sharply in the middle of April. Choice milling grain is reported difficult to secure by several Districts.

LIVESTOCK. Receipts of cattle and calves at 15 western markets during March were 1,157,138 head, as compared with 1,345,487 head during February and 1,119,548 head during March, 1921. Receipts of hogs decreased from 2,530,092 head during February, to 2,384,335 head during March, as compared with 2,390,480 head a year ago. March sheep receipts, however, were 997,119 head, as compared with 913,642 head during February and 1,161,549 head during March, 1921. Stocker and feeder shipments of cattle and calves were much heavier in March than in February, but the reverse was true of sheep. General conditions affecting the livestock industry are showing continuous improvement in District No. 10 (Kansas City), the higher levels of prices (as compared with those prevailing through the fall and early winter months) having greatly stimulated interest. There has been a heavy movement of cattle from the southwest to the long grass pasturage of Oklahoma, Kansas and Nebraska. Steady improvement in range conditions is reported in District No. 11 (Dallas). Continuance of winter weather up to the middle of April prolonged the feeding season in District No. 12 (San Francisco) beyond its normal limits, but livestock in general is reported in normal condition.

Returns from 36 packers show a decrease of 0.1 per cent in average weekly sales (in dollars) in March from those of February, and 37 show a decrease of 8.8 per cent as compared with a year ago. Domestic

trade in fresh and cured meats was rather slow in March in District No. 7 (Chicago), but showed some signs of improvement in early April. Export business in provisions was much smaller.

COAL. March production of bituminous coal was 50,193,000 tons, the highest record for any March during the past ten years and an increase of 23 per cent over last month and of 65 per cent over March, 1921. During the first week of the strike, production dropped to 3,793,000 tons, as compared with 5,590,000 tons during the first week of the 1919 coal strike. Stocks in the hands of consumers on April 1 were 63,000,000 tons, with 4,000,000 tons in storage on the Lake docks. Although it is estimated that the supply, with weekly production, is sufficient for four months' consumption and export, this does not mean that some sections and industries may not feel a shortage much earlier, due to unequal distribution. On account of the heavy reserves of consumers and dealers, bituminous markets have felt little stimulus from the lessened output resulting from the strike.

Production of anthracite for the month was 8,757,000 tons as compared with 6,762,000 tons in February and 7,406,000 tons during March last year. Demand for hard coal has been but little affected by the almost complete suspension of mining since April 1. With very few exceptions domestic consumers are buying to satisfy immediate needs only as they do not fear any shortage as a result of the strike.

Production of bee-hive coke for March was 732,000 tons, with a production of 191,000 tons for the week ending April 1, the heaviest weekly tonnage during the year. By-product coke production increased from 1,795,000 tons in February to 2,137,000 tons in March. There have been no general advances in price, but a stiffening of quotations

occurred early in April, due to the sharp decline in output. Stocks of by-product coke exceed 1,000,000 tons and there is no change in production, as these furnaces have large supplies of bituminous.

PETROLEUM. Production of crude petroleum throughout the United States continued its upward trend during March, reaching the new record of 46,916,000 barrels. In District No. 11 (Dallas) 16,246,680 barrels were produced, as compared with 13,759,335 barrels during February. The daily average yield showed an increase of 32,682 barrels over the flow during February. In this District there was a general resumption of drilling operations. The number of wells completed totaled 358 which included 268 producers as against 223 producers completed during February. District No. 10 (Kansas City) reports that approximately 15,406,400 barrels were produced during the 31 days in March as compared with 13,794,000 barrels for the 28 days of February and 14,392,000 barrels for the 31 days of March 1921. In District No. 10 (Kansas City) 633 wells with a daily new production of 137,967 barrels were completed, as compared with 433 wells during February and 765 during March, 1921, with daily new production of 67,953 barrels and 70,910 barrels respectively. District No. 12 (San Francisco) likewise reports an increased production of 8,970 barrels per day over February. Shipments of crude petroleum, however, declined 14,164 barrels per day from the previous month. Fifty-eight new wells were opened during March with an initial daily flow of 22,000 barrels, but two wells were abandoned. Stored stocks in District No. 12 (San Francisco) were 37,991,694 barrels on March 31 as compared with 1,289,384 barrels on February 28.

An increase from \$1.25 to \$1.50 per barrel in the price of Mexia crude oil was announced during March. The price of Mexia has risen from \$.60 per barrel to \$1.50 per barrel during the last five months in the face of an enormous increase in production.

IRON AND STEEL Improvement has continued in the iron and steel industry, although the coal strike has served to inject a factor of uncertainty into the situation. March pig iron production amounted to 2,034,794 tons, as compared with 1,629,991 tons during February, while steel ingot production showed a somewhat greater increase, from 1,745,022 tons to 2,370,751 tons. Operations of the leading interest have been at slightly over 70 per cent of capacity, and of the independents at between 60 and 65 per cent. Activity in District No. 3 (Philadelphia) is still on a somewhat lower scale than in other sections. Accompanying this increase in production was an increase in sales, the unfilled orders of the U. S. Steel Corporation advancing from 4,141,069 tons at the close of February to 4,494,148 tons one month later. March bookings of mills and furnaces are said by District No. 4 (Cleveland) to have been the heaviest in about two years. Not only have sales increased and operations expanded, but prices have exhibited a firmer tendency than has been evident for several months past. In many instances quotations have been advanced, both for pig iron and for steel products. Curtailed purchasing has however usually followed the announcement of an advance, for consumers have generally been given the opportunity to place orders at the old figure before the advance is made. In part the general situation reflects the fear of a possible shortage as a result of the coal strike, and this has continued a potent factor throughout April. At least a part of recent purchases have been for stocking purposes. The influence of the coal strike has been brought sharply home to the industry by the unexpected cessation of work by non-union miners in the Connellsville region, which is a

leading source of Beehive coke. Most plants however are reported to have sufficient fuel to last for some time, but there is naturally hesitation to expand operations further.

AUTOMOBILES. Both production and shipments of automobiles increased during March. Manufacturers who produced 98,487 passenger cars in February built 152,512 cars in March, an increase of 54.9 per cent, while companies building 12,861 trucks in February had an output of 19,349 trucks in March, an increase of 50.4 per cent. Carload shipments increased from 19,636 in February to approximately 25,210 in March. Orders for passenger cars are coming in at a good rate in District No. 4 (Cleveland), and part of the improvement in truck business is ascribed to reduction in stocks held by dealers.

NONFERROUS METALS. Only a few copper companies in the United States now remain closed. The four porphyry copper companies resumed operations on the first of April. Copper production during March showed an increase of about 65 per cent over the production for February, amounting to 61,867,403 pounds as compared with 37,415,808 pounds in February, but was 27,259,762 pounds less than in March 1921. Sales of copper were the largest since November, but the price of electrolytic copper delivered in New York was 12.625 cents per pound on April 15 as compared with 14 cents per pound in December. Zinc production for March totaled 26,532 tons, an increase of 4,019 tons over February and 10,791 tons over March, 1921. District No. 10 (Kansas City) reports total shipments of 31,601 tons of zinc ores as compared with 27,043 tons during February and 22,138 tons during March a year ago. Stocks of zinc ore held in bins of the producers throughout the district amount to approximately 54,000 tons. The average

price for lead ore for the month of March was \$61.17 per ton and the total sold amounted to 7,502 tons, as compared with 7,806 tons sold in February at an average price of \$60.00 per ton. The average price per ton for March, 1921, was \$38.97. Reports received from 19 mines engaged in the production of gold, silver, lead and copper in District No. 12 (San Francisco) indicate a small decrease in the output of these metals in February, 1922, as compared with January. The silver production in the United States for March amounted to 4,186,042 troy ounces as compared with 3,878,498 during February and 6,077,498 during March, 1921.

COTTON TEXTILES. The strike in the New England mill districts is as yet unsettled and it is not surprising, therefore, that manufacturing activity continued to decline during the month of March. Reports from District No. 3 (Philadelphia) show very little activity in the case of yarn mills in this section, which on the average are operating at not to exceed 75 per cent of capacity with stocks accumulating in the hands of spinners. In contrast to this situation, reports from Districts No. 5 (Richmond) and No. 6 (Atlanta) indicate that operating activity continues at a high rate, although the former District states that mill stocks are accumulating somewhat, while mills continue to run at approximately full time. In District No. 6 (Atlanta) there was an actual increase in March production of cotton cloth amounting to 12.8 per cent for 43 mills reporting directly to the Federal Reserve Bank of that District. Shipments during the month increased 17.2 per cent, but orders on hand at the end of the month were 5 per cent lower. Cotton yarn production also advanced 10.9 per cent in the case of

36 reporting mills. Shipments were 13.7 per cent greater but orders on hand were 8 per cent less than at the end of the month. The consumption of raw cotton in the United States during the month of March increased to 518,450 bales as compared with 473,000 bales in February.

WOOLEN TEXTILES. The effect of increased demand for woolens as contrasted with worsteds is evident in the statistics showing the percentage of idle spindles to total reported and percentages of idle spindle hours to total reported. In the case of woolen spindles the percentage of idle machinery dropped to 17.5 on April 1 as compared with 20.1 on March 1 while the percentage of idle hours fell to 14.1 as compared with 18.4. In the case of worsted spindles, the percentage of idle machinery jumped to 25.3 as compared with 14.4 and the percentage of idle hours to total reported rose to 29.2 as compared with 17.3. There was an increase in the percentage of idle machinery and also in the percentage of idle hours to total reported, both for looms 50" reed space and wider and those for 50" reed space or less. For looms wider than 50" reed space, the percentage of idle machinery rose from 31.5 (March 1) to 34.9 (April 1) and for looms 50" reed space or less the advance was from 27.1 to 27.8. The corresponding advances in the percentages of idle hours were from 34.1 to 36.9, and from 31.9 to 36.5 respectively. According to the report from District No. 3 (Philadelphia) the demand for woolen and worsted cloth has been slight, the volume of business has been less than for the corresponding period last year, and the majority of reporting firms state that demand has diminished since March 10.

The percentage of activity in this District appears to be considerably below the average, as the majority of reporting manufacturers state that they are operating at only 40 per cent of capacity. There is continued dullness in the yarn market and weavers hesitate to make purchases because of a lack of demand for their product. District No. 1 (Boston) reports that the market for raw wool "has been moderately active and that prices have been higher during the past month". There is said to be a scarcity of some wools in Boston. On the other hand, the Philadelphia raw wool market is "extremely inactive, trading being confined to small lots on which sellers are willing to grant price concessions". The activity of coarse and medium wools is said not to be great but relatively better than for the finer counts.

CLOTHING. Sales of reporting wholesale clothing firms showed increases in March as compared with February both for District No. 2 (New York), in which 10 firms showed an increase of 41.2 per cent, and District No. 8 (St. Louis) in which 23 firms reported increases ranging from 2 to 20 per cent in March. In District No. 7 (Chicago) the wholesale clothing manufacturers report few orders received during March. The actual volume of business for the season, however, has averaged over 35 per cent greater than a year ago for 8 reporting firms. In the case of 13 tailors-to-the-trade there was an increase of 79.8 per cent in orders for suits received in March as compared with February, while orders were 8.6 per cent greater than in March 1921. The number of suits made increased 89.7 per cent in March as compared with February and was 7.1 per cent above totals for March 1921.

SILK. There has been active selling of broad silks by jobbers in the Philadelphia section according to the reports from District No. 3 (Philadelphia) but productive activity has nevertheless continued to decline. Broad silk looms are working from 1 to 3 days a week, with less than 50 per cent of the silk spindles in operation. Individual orders are estimated to be 20 per cent smaller than during the preceding year. Declines in manufacturing activity are also reflected in the figures received from North Hudson and from Paterson, which show further reductions in the number of active looms and in the percentage of active loom hours to total reported (April 8). For Paterson, only 2,809 out of a total of 15,000 looms were reported active and the percentage of active loom hours to total reported was 17.02. In North Hudson, 2,187 were active out of a total reporting of 4,161, while the percentage of active hours was 43.71.

The price situation in the case of raw silk is still unsatisfactory, decreases at the end of March having been followed by renewed advances since the middle of April. Speculative activities in the Yokohama market, and a knowledge that considerable holdings are in the hands of the Japanese syndicate, continue to be unsettling factors causing buyers to hesitate to make purchases.

HOSIERY. The full-fashioned silk hosiery mills in District No. 3 (Philadelphia) continued to be busy although the falling off in orders for future delivery indicates a decline in the intensity of the demand for the finest grades of goods. In the case of mills making seamless hosiery, both silk and artificial silk, great variations in activity exist.

Some mills are running at 100 per cent of capacity with orders sufficient to maintain that rate for several months; but the majority are operating at anywhere from 30 to 75 per cent of capacity. Returns from firms selling to the wholesale trade showed that product manufactured during the month of March (in dozens of pairs) increased 10.5 per cent as compared with the preceding month. Orders booked were 15.7 per cent greater, while unfilled orders on hand at the end of the month declined 19.8 per cent as compared with the end of the preceding month. The corresponding figures for firms selling to the retail trade showed increases of 28 per cent and 0.1 per cent and a decrease in unfilled orders of 15.5 per cent. Orders for mercerized and cotton hose continued to be scarce. On the other hand, in District No. 6 (Atlanta) four mills manufacturing cotton hosiery showed an increase of orders booked during the month of 25 per cent, although orders on hand at the end of the month were 6.9 per cent below those on hand at the end of February. There was a decrease of 5.6 per cent in hosiery manufactured as compared with the preceding month, but a substantial increase of 23.4 per cent as compared with a year ago.

UNDERWEAR. Comparative reports received from 34 mills reporting to the Association of Knit Goods Manufacturers of America reflect progress in actual production over the previous month, output increasing from 497,005 dozens in February to 601,302 dozens in March, a gain of 21 per cent. Shipments also improved as compared with February, amounting to 429,769 dozens in that month, and 501,030 dozens in March, an increase of 16.6 per cent. Both unfilled orders and new orders fell off during March, the former decreasing from 1,418,892 dozens on February 1,

to 1,336,245 dozens on March 1, a decline of 6.0 per cent; while the latter fell from 387,820 dozens to 355,713 dozens, a decline of 8.0 per cent. Cancellations decreased from 10,968 dozens in February to 9,551 dozens in March, or 13.0 per cent.

Thirty-seven mills which reported an actual production of 612,566 dozens in March have unfilled orders on hand on April 1 amounting to 1,208,600 dozens, the balance of orders having declined 11.4 per cent since March 1. The normal production of these 37 mills is 708,606 dozens. New orders amounted to 363,960 dozens, or 51.4 per cent of normal production, while shipments were 510,555 dozens, or 72.1 per cent of normal. Cancellations amounted to only 1.4 per cent of normal production.

SHOES AND LEATHER. Prices of packer hides increased somewhat during the first three weeks of April and the Chicago market has been fairly active. Demand for calf skins has also shown some improvement, but business in both sheep skins and goat skins is very dull. Reports from seven tanners in District No. 7 (Chicago) show a decline in March sales of many shoe leathers, but an increase in sales of strap, bag, case, harness, sole, and calf leather. Low grades and specialties seemed to have the best demand. District No. 3 (Philadelphia) states that the most encouraging feature in the heavy leather market has been the increased sales of belting leather which reflects a general increase in manufacturing activity. Among the upper leathers, business in both kid and calf has been rather light this season, but there have recently been increased sales of lower grade kid. Patent leather which has had the best demand this year is now somewhat less active. The export

market for upper leathers, however, has shown a tendency to broaden, particularly in respect to the number of countries which are making purchases.

Western shoe factories continue active, but the average daily output of New England factories showed some curtailment during March. Total output of eight manufacturers in District No. 1 (Boston) was only 2.4 per cent greater in March than in February, and the output of seven of the reporting firms showed an actual decrease. Production of 45 manufacturers in District No. 3 (Philadelphia) was 14.7 per cent more than in February and shipments were 38.5 per cent greater. New orders increased 6.5 per cent, but the total volume of unfilled orders diminished 19.9 per cent. Both wholesalers and retailers hesitate to make purchases except for immediate requirements on account of frequent style changes. Returns from reporting firms in District No. 7 (Chicago) indicate that production in March was 11.2 per cent greater than in February; while stocks decreased 10.1 per cent, shipments increased 15.2 per cent, and unfilled orders decreased 7.5 per cent. Sporting shoes and extreme styles have the best demand. Factory operation in District No. 8 (St. Louis) is from 80 to 100 per cent of capacity. A large business has been done in that District in Easter goods and specialties, although the demand continues to center in low priced shoes. Orders have been received in satisfactory volume in April, but there has been some decrease in the level of prices for fall lines.

LUMBER: The lumber situation shows a decided and very general improvement. District No. 12 (San Francisco) reports that the industry is more active than at any time since the boom period in the Spring of 1920. Production reported by 168 mills in four associations in the District was 381,572,000 feet, an increase of 14.8 per cent over February and of 60.9 per cent over March, 1921. Orders received totaled 467,346,000 feet, 33.3 per cent greater than last month and 60.8 per cent greater than March last year. The volume of orders received was 22.4 per cent greater than actual production during the month, and 11.2 per cent in excess of shipments, and represented the largest amount of new business totaled in any one month since March, 1920. Shipments during the month amounted to 420,108,000 feet, as compared with 347,660,000 feet in February and 248,477,000 feet in March a year ago. Higher prices for many varieties and grades have accompanied increased production and consumption. The logging industry no longer is hindered by the weather, and is keeping pace with the mill industry. Orders and shipments have increased from 247,852,400 and 238,332,788 feet for 112 mills in District No. 6 (Atlanta) in February to 305,651,455 and 297,134,215^{feet} for 118 mills during March. Of 67 reporting mills, 49 were operating full^{last} time and only one was shut down. Production increased from 266,202,470 feet/month to 296,272,361 feet in March. In sharp contrast to last month's situation, District No. 11 (Dallas) reports a large increase in production which was, however, 10 per cent below shipments. Unfilled orders on hand March 31 amounted to 59,156,346 feet as compared with 51,070,461 feet on February 28. Retail lumber sales at 701 yards in District No. 9 (Minneapolis) were more than twice as great in March as in February but 10 per cent lower than in March a year ago. Orders and shipments of nine lumber manufacturers

increased from 7,710,000 and 6,261,119 feet in February to 4,623,000 and 9,922,302 feet in March. Stocks declined during the month and were lower than last year. District No. 8 (St. Louis) reports a brisk demand and a strengthening of prices in materials used in industrial construction. The hardwood trade has benefited a little by activities of planing mills and automobile factories but there is no progress toward price stabilization.

BUILDING: Number of building permits issued, value of permits issued, and value of contracts awarded all reached new high levels during March. Total value of permits issued in 166 selected cities amounted to \$259,508,703 in March, as compared with \$141,715,243 in February and \$126,472,031 in March, 1921. The value of permits issued was greater in March than in either February, 1922, or March, 1921, in each of the twelve Federal Reserve Districts. Increases in March over February varied from 18 per cent in District No. 1 (Boston) to 188 per cent in District No. 9 (Minneapolis), while increases over March, 1921, ranged from 8 per cent in District No. 11 (Dallas) to 238 per cent in District No. 2 (New York).

The value of contracts awarded in seven Federal Reserve Districts (statistics of which are compiled by the F. W. Dodge Company) increased from \$161,438,750 in February to \$264,651,165 in March. Large increases were recorded in each of the seven Districts. The value of contracts awarded for residential purposes in these Districts amounted to \$112,577,397 in March, an increase of 57 per cent over February and of 100 per cent over March, 1921.

Reports from District No. 3 (Philadelphia) indicate a great expansion in building operations, which is particularly noteworthy in the case of

residential building. Operations in District No. 4 (Cleveland) have been somewhat hampered by strikes, but are nevertheless showing steady growth. A building exposition is to be held in Cleveland to stimulate the building of homes and to advertise various types of house furnishings. In District No. 5 (Richmond) new construction is showing more activity than repairs and alterations, and architects and builders have as much work as they can handle. The value of building permits in 19 of the 24 reporting cities in District No. 7 (Chicago) was over 100 per cent greater than in February. District No. 10 (Kansas City) reports that there is not only unprecedented activity in the erection of houses and apartments, but also great activity in the erection of public buildings and school buildings.

EMPLOYMENT. Reports received by the United States Employment Service for the period ending March 31 showed an increase of 2.5 per cent in numbers employed as compared with the preceding month. The principal declines occurred in leather and its finished products and in textiles. Advances were most pronounced in the groups comprising vehicles for land transportation, iron and steel, metal and metal products. The direct and indirect effects of the coal strike upon employment will, of course, not be apparent until the next reports are issued. District No. 1 (Boston) reports that notwithstanding the continuance of the textile strike, the "actual amount of unemployment in the cotton manufacturing industry is probably no larger than at the beginning of April". In the centers of manufacture for metal goods, machinery and tools such as Waterbury, Worcester, Providence and New Haven, there has been a steady upward movement in numbers employed. In New York State there was an increase of 1.3 per cent in numbers employed in industrial establishments between February 15 and March 15 according to the reports received from the

New York State Department of Labor. In District No. 3 (Philadelphia) excluding 200,000 striking miners, employment conditions also showed continued improvement between March 15 and April 15. There was a decrease of 16.8 per cent in numbers unemployed in the six cities of Altoona, Harrisburg, Johnstown, Philadelphia, Scranton and Williamsport, the number out of work on the latter date being 181,310. District No. 5 (Richmond) likewise emphasizes the very general improvement in employment conditions throughout the District. The special inquiry regularly made into employment conditions in District No. 7 (Chicago) shows that 220 firms employing 117,983 persons at the end of March had on their pay rolls 3.5 per cent more employees than at the end of the preceding month, and practically the same number as a year ago, the decrease amounting to only 0.1 per cent. The increase in the total payrolls of these reporting concerns was especially large, indicating that many men already at work were getting back to full time schedules. The increase in the amount of the payrolls compared with the preceding month was 12.3 per cent. Automobiles and accessories were reported to be employing 13 per cent more men than a year ago while the monthly report from the Employers' Association of Detroit shows an increase of 9.4 per cent during the month in numbers employed in manufacturing "vehicles for land transportation". Iron and steel products, agricultural machinery and railroad equipment also show pronounced advances. District No. 9 (Minneapolis) reports a considerable increase in the seasonal demand for farm labor and also notes that a considerable surplus of mining labor is being absorbed by the opening of the copper and iron mines. In District No. 10 (Kansas City) lead and zinc mines and smelters "show increased activity with larger numbers

of men at work". This is also true in the Colorado metal mines. There has been an increased demand for labor for farm work as well as for work on highways and public improvement. In District No. 12 (San Francisco) agricultural and building operations and highway construction have absorbed considerable numbers of the unemployed and the increasing activity of the lead and copper mines of the District has also been a favorable factor in reducing unemployment. In the Pacific northwest, reports from ten principal lumbering sections show 61,427 loggers and lumbermen employed on March 25 as compared with 60,697 on February 15 and 55,426 on the same date a year ago. "According to reliable authorities, employment in the metal industries of California (exclusive of shipbuilding) increased 19 per cent during the last two months."

WHOLESALE TRADE:

Percentage of increase (or decrease) in net sales in
March 1922 as compared with the preceding month
(February 1922)

Dis- trict No.	Groceries		Dry Goods		Hardware		Boots & Shoes	
	Per- centage	Number of Firms Report- ing	Per- centage	Number of Firms Report- ing	Per- centage	Number of Firms Report- ing	Per- centage	Number of Firms Report- ing
2	28.4	41	9.2	3	58.1	11	67.3	8
3	12.4	47	19.8	15	46.2	25		
4	21.2	23	13.5	13	33.1	12		
5	13.9	46	23.2	16	34.0	19	17.9	19
6	18.4	29	29.2	21	16.6	22	48.0	9
7	27.6	35	8.4	9	60.7	15	56.6	8
9	31.7	59	-2.1	6	74.9	14	-9.1	7
10	19.2	10	10.0	8	51.4	8		
11	12.3	12	-0.4	12	12.6	13		
12	21.1	32	23.5	13	24.8	21	38.6	15

Percentage of increase (or decrease) in net sales in
March 1922 as compared with March 1921

2	0.4	41	-14.3	3	-2.0	11	-17.4	8
3	-17.4	47	-17.5	15	-5.6	25		
4	-12.6	23	-18.6	13	-13.5	12		
5	-10.1	46	-18.0	16	-23.0	19	-24.2	19
6	-7.0	29	-17.0	21	-5.6	22	-16.0	9
7	-10.1	35	-9.9	9	-10.1	15	-23.4	8
9	-3.9	59	-22.4	6	-20.6	14	-21.3	7
10	-3.7	10	-0.1	8	-13.8	8		
11	-9.2	12	-27.2	12	-18.6	13		
12	-12.9	32	-2.1	13	-3.8	21	-21.4	15

It is difficult to generalize concerning the variations in the sales of reporting wholesale firms, for two reasons. First, returns have been available for only a limited number of months, and secondly, they cover a period during which violent price changes have occurred. However, the very pronounced and general advances in sales occurring in March are undoubtedly seasonal. This will be evident when comparisons are made with sales for

the same month a year ago. With due allowance for price declines the showing is favorable but not unusual. Reports comment upon the bad weather as having interfered somewhat with retail trade, especially in the southern Districts, thereby retarding purchases from wholesalers. In Districts No. 2 (New York) and No. 3 (Philadelphia) sales of builders hardware resulting from an increase in building operations have helped swell the sales of hardware. Collections on the whole in all reporting lines appear to have improved.

RETAIL TRADE: Retail sales for March throughout the country showed the expected seasonal increase when compared with those for February, due partly to the longer month, but they were not as large as for March, 1921. Allowance must be made, however, for the decline in prices and the fact that Easter came in March last year. Because of the latter circumstance, the sales for the first three months of the year compared unfavorably with those for the corresponding period last year. In country districts the decline in trade from last year is attributed partly to the bad weather and muddy roads, while in coal mining centers, the strike has affected business. In the United States as a whole, however, the stores are beginning to feel the results of the improvement in the employment situation.

March sales for 446 stores in the United States showed a decrease of 14.5 per cent from those of last March. The figures for District No. 12 (San Francisco) are the least unfavorable, a decrease of 6.2 per cent, while in District No. 6 (Atlanta) trade suffered a decrease of 24.4 per cent. At the end of March the stores held larger stocks than they did in February, as the Easter buying had scarcely commenced. All but three Districts show

increases in stocks on hand over those held last March. The ratio of average stocks at the end of the first three months to average monthly sales during the same period was 453.2, showing a better rate of turnover than was the case a month ago, but comparing unfavorably with that for last March. At the end of March the percentage of outstanding orders to total purchases for 1921 was lower for all Districts than at the end of February, which would seem to indicate that the bulk of the spring and summer goods had been received by the end of March, or that the buyers were depending upon fill-in orders to meet the demands of the season.

PRICES. Whatever price changes have occurred during April have been of very small dimensions. Among the agricultural commodities, wheat, corn and oats averaged about one cent higher in the first three weeks of April than in March. On the other hand, prices of cotton, cattle, hogs and meat products were a shade lower than in March, and sheep prices declined heavily. In the same way, only small changes occurred in the prices of most of the leading metals and coal although pig iron advanced on the average between 50 cents and \$1.00 a ton, while lead advanced about 3/4¢ a pound. Lumber prices were practically unchanged. The same stability characterized manufactured goods also. The American Woolen Company advanced prices of certain of their fabrics slightly, but woolen and worsted yarns have been practically unchanged. Cotton yarn prices have been fractionally lower, while any reductions which may have occurred in cloth have been slight.

The Federal Reserve Board index of wholesale prices for March (revised figure) stood at 147 as compared with 100 in 1913. This was one point higher than the index for February. Increases occurred in agricultural commodities, pig iron and coke among the raw materials, and in

cotton seed oil, burlap, certain chemicals, sugar and meats among the finished goods. There were decreases in hides, silk, coal, copper, and tin; in certain petroleum and steel products, rubber, brick, and in a considerable number of foodstuffs. Otherwise commodity prices were largely unchanged.

Retail prices of food during March were somewhat lower than in February, the index of the Bureau of Labor Statistics standing at 139 as compared with 142 in the earlier month.

FOREIGN TRADE After a series of declines continuing over a period of several months, the foreign trade returns for March disclose large increases in the value of both exports and imports. The former are reported at \$332,000,000, which is larger than any monthly total since last October, and is not quite 15 per cent below the figure for March, 1921. The value of imports is given as \$258,000,000 in March, surpassing the amount for any single month since December, 1920. That these increases in value represent also the movement of greater quantities of goods is indicated by the Federal Reserve Board's foreign trade index which in March stood at 107.1 for exports and at 195.7 for imports, compared respectively with 82.6 and 183.4 in February, and with 92.6 and 169.6 in March, 1921. Somewhat similar conclusions are warranted by a consideration of the tonnage of American overseas commerce as compiled by the United States Shipping Board. These figures show that, excluding shipments of oil in bulk, the weight of our overseas exports in March exceeded the weight of shipments in February by about 28 per cent, while at the same time imports increased approximately 6 per cent in weight. If oil shipments are included, the gain in the total tonnage of our overseas trade, both inward and outward, is shown to have been about 23 per cent in March as compared with February.

F E D E R A L R E S E R V E B O A R D

STATEMENT FOR THE PRESS

For release in afternoon papers,
Tuesday, May 2, 1922.

CONDITION OF THE ACCEPTANCE MARKET

The acceptance market during the past reporting period has been marked with dullness and inactivity. The demand for bills was light but still was greater than the supply available in most districts. District No. 2 (New York) attributes the further diminished volume of the market supply of acceptances in part to the continued tendency of European purchasers of American goods to provide sight rather than time credit, in view of the instability of the exchanges, with the resultant instability of foreign prices of imported goods and commodities. District No. 3 (Philadelphia) notes a slight increase in the volume of bills arising largely from transactions in foreign trade.

The demand for bills in practically every district was light. Districts No. 1 (Boston), and No. 2 (New York), No. 4 (Cleveland) all state that there was a decreased demand from country banks and private investors. These, according to District No. 1 (Boston) found commercial paper more attractive to their needs, while in District No. 2 (New York) funds were diverted to short-term government obligations which with their tax-exempt feature offered better rates to domestic investors. Because of low rates prevailing in the money market,

accepting banks preferred to carry their own bills. This tendency contracted the amount of bills in the market and consequently the holdings of dealers declined in most districts with the exception of No. 1 (Boston). These surplus bills were moved to the New York market where they were absorbed. Reports from the principal accepting banks in District No. 12 (San Francisco) indicate a decrease of 55.3 per cent in the amount of acceptances bought in March as compared with February. There was no sharply defined demand for any particular maturity but bills with 90 day maturity were favored in most districts except in District No. 1 (New York) where bills of shorter maturities were preferred. In District No. 11 (Dallas) the volume of outstanding acceptances declined sharply. There was increased activity in acceptances in District No. 10 (Kansas City) where the holdings of local banks expended considerably.

Dealers rates on prime bills in Districts No. 1 (Boston,
No. 2 (New York) and No. 7 (Chicago):

<u>District No. 1 (Boston)</u>					
	Range		Close		
	Bid	Offered	Bid	Offered	
60	3½ - 4-1/8	3-3/8 - 4	3½		3-3/8

<u>No. 2 (New York)</u>					
	Range during period		Close		
	Bid	Offered	Bid	Offered	
30 day maturity	3½ - 4-1/8	3-3/8 - 4-1/8	3½		3-3/8
60 " "	"	"	"		"
90 " "	"	"	"		"
120 " "	"	"	3½ - 3-5/8		3-3/8 - 3½
150 " "	"	"	"		"
180 " "	"	"	"		"

<u>No. 4 (Cleveland)</u>					
	Range during period		Close		
	Bid	Offered	Bid	Offered	
30 day maturity	3½ - 4-1/8	3-3/8 - 4	3½		3-3/8
60 " "	"	"	"		"
90 " "	"	"	"		"
120 " "	"	"	"		"
150 " "	3-5/8-4-3/8	3-3/8 - 4-1/8	3-5/8		3-3/8
180 " "	"	"	"		"

<u>No. 7 (Chicago)</u>					
	Range during period		Close		
	Bid	Offered	Bid	Offered	
30 day maturity	4-1/8 - 3½	4 - 3-3/8	3½		3-3/8
60 " "	"	"	"		"
90 " "	"	"	"		"
120 " "	"	"	"		"
150 " "	"	4-1/8 - 3-3/8	3½ - 3-5/8		3-3/8 - 3½
180 " "	"	"	"		"

FEDERAL RESERVE BOARD
GOLD SETTLEMENT FUND

X-3391
Washington, D. C.
April 28, 1922.

Summary of transactions for period ending April 27, 1922.

(CONFIDENTIAL)

Federal Reserve Bank of	Balance last statement Apr. 20, 1922.	Gold Withdrawals	Gold Deposits	Aggregate withdrawals and transfers to Agent's fund	Aggregate deposits and transfers from Agent's fund	TRANSFERS	
						Debits	Credits
Boston	\$ 32,775,277.58	\$ 726,477.50	\$ 5,000,000.00	\$ 10,726,477.50	\$ 5,000,000.00	\$ 1,000,000.00	\$ -
New York	142,458,210.39	1,500,102.16	76,000.00	31,500,102.16	76,000.00	9,000,000.00	-
Philadelphia	56,673,505.41	895,400.00	1,001,100.00	895,400.00	1,001,100.00	-	1,000,000.00
Cleveland	43,675,432.33	4,377,984.50	2,000,250.00	4,377,984.50	2,000,250.00	-	-
Richmond	30,717,372.45	1,109,944.50	2,500,040.00	6,109,944.50	2,500,040.00	-	1,000,000.00
Atlanta	25,769,069.23	902,518.42	-	902,518.42	-	-	-
Chicago	60,409,451.37	1,020,806.26	12,724,878.64	11,020,806.26	12,724,878.64	-	2,000,000.00
St. Louis	7,084,982.32	839,477.50	1,500,000.00	839,477.50	1,500,000.00	-	2,000,000.00
Minneapolis	29,515,310.20	523,375.00	4,000.00	523,375.00	4,000.00	-	-
Kansas City	24,536,386.73	545,100.00	3,000.00	545,100.00	3,000.00	-	1,000,000.00
Dallas	11,110,643.29	706,050.00	-	706,050.00	-	-	1,000,000.00
San Francisco	32,325,689.57	1,001,221.00	4,004,300.00	1,001,221.00	5,286,300.00	-	2,000,000.00
Total	\$ 497,051,330.87	\$ 14,148,456.84	\$ 28,813,568.64	\$ 69,148,456.84	\$ 30,095,568.64	\$ 10,000,000.00	\$ 10,000,000.00

Federal Reserve Bank of	Settlements from April 21, 1922 to April 27, 1922 inclusive.				Balance in fund at close of business Apr. 27, 1922.	Summary of changes in ownership of gold by banks through transfers and settlements.		
	Net Debits	Total Debits	Total Credits	Net Credits		Decrease	Increase	
								Boston
New York	7,830,306.64	400,922,471.57	393,092,164.93	-	94,203,801.59	16,830,306.64	-	-
Philadelphia	907,972.98	129,006,453.68	128,098,480.70	-	56,871,232.43	-	-	92,027.02
Cleveland	-	111,050,775.63	117,405,413.85	6,354,638.22	47,652,336.05	-	-	6,354,638.22
Richmond	-	88,379,929.61	92,493,477.47	4,113,547.86	32,221,015.81	-	-	5,113,547.86
Atlanta	-	42,240,110.94	45,462,259.60	3,222,148.66	28,088,699.47	-	-	3,222,148.66
Chicago	-	196,559,046.21	201,419,325.28	4,860,279.07	68,973,802.82	-	-	6,860,279.07
St. Louis	1,779,560.58	96,931,331.31	95,151,770.73	-	7,965,944.24	-	-	220,439.42
Minneapolis	2,441,951.38	29,480,227.99	27,038,276.61	-	26,553,983.82	2,441,951.38	-	-
Kansas City	-	71,212,225.84	72,043,194.44	830,968.60	25,825,255.33	-	-	1,830,968.60
Dallas	3,123,606.31	41,092,812.61	37,969,206.30	-	8,280,986.98	2,123,606.31	-	-
San Francisco	1,645,760.46	54,545,618.09	52,899,857.63	-	36,965,008.11	-	-	354,239.54
Total	\$ 19,381,582.41	\$ 1,378,006,471.03	\$ 1,378,006,471.03	\$ 19,381,582.41	\$ 457,998,442.67	\$ 24,048,288.39	\$ 24,048,288.39	

FEDERAL RESERVE AGENTS' FUND

X-3391a
Washington, D. C.
April 28, 1922.

Summary of transactions for period ending April 27, 1922.

(CONFIDENTIAL)

Federal Reserve Agent at	Balance last statement Apr. 20, 1922.	Gold Withdrawals	Gold Deposits	Withdrawals for transfers to bank	Deposits through transfers from bank	Total Withdrawals	Total Deposits	Balance at close of business Apr. 27, 1922.
Boston	\$ 110,000,000	\$ -	\$ -	\$ -	\$ 10,000,000	\$ -	\$ 10,000,000	\$ 120,000,000
New York	371,000,000	-	-	-	30,000,000	-	30,000,000	401,000,000
Philadelphia	144,389,260	-	-	-	-	-	-	144,389,260
Cleveland	165,000,000	-	-	-	-	-	-	165,000,000
Richmond	37,795,000	3,000,000	3,000,000	-	5,000,000	3,000,000	8,000,000	42,795,000
Atlanta	80,000,000	-	1,500,000	-	-	-	1,500,000	81,500,000
Chicago	338,644,500	6,000,000	-	-	10,000,000	6,000,000	10,000,000	342,644,500
St. Louis	63,800,000	2,000,000	1,500,000	-	-	2,000,000	1,500,000	63,300,000
Minneapolis	16,000,000	-	-	-	-	-	-	16,000,000
Kansas City	40,360,000	2,000,000	1,000,000	-	-	2,000,000	1,000,000	39,360,000
Dallas	10,000,000	-	-	-	-	-	-	10,000,000
San Francisco	195,298,500	7,000,000	-	1,282,000	-	8,282,000	-	187,016,500
Total	\$ 1,572,287,260	\$ 20,000,000	\$ 7,000,000	\$ 1,282,000	\$ 55,000,000	\$ 21,282,000	\$ 62,000,000	\$ 1,613,005,260

RECOMMENDATIONS OF THE FEDERAL ADVISORY COUNCIL TO THE FEDERAL RESERVE BOARD,
April 28, 1922.

TOPIC 1. Should Federal Reserve Banks adopt with respect to their own transactions the policy recently adopted by the United States Treasury of paying out gold and gold certificates without reservation?

RECOMMENDATION: The Council is of the opinion that there is no necessity for the Federal Reserve Banks paying out gold or gold certificates without reservation in their transactions with member banks. If, however, gold is called for by a member bank it should be provided without any question. We believe it to be sound policy for the Federal Reserve Banks to be the depositories of the gold of the country. The concentration of the gold in the banks and the issue of Federal Reserve notes as the principal medium of circulation throughout the country is not to be considered a war measure. It is one of the fundamental principles of monetary reform that the gold of the country should be mobilized in the Federal Reserve Banks. War conditions are so beclouded at the moment that it is impossible to forecast what proper use may be made of our gold power. Self interest would dictate that we should do nothing which would interfere with our ability at the proper moment to render our maximum assistance in restoring the equilibrium of the world. In the event of need the country is in a much stronger position if the gold is mobilized in the vaults of the Federal Reserve Banks than if it is scattered as a circulating medium in the hands of the people. The argument has been made in favor of the payment of gold or gold certificates by Federal Reserve Banks at this time that it would reduce the high

reserves of the Federal Reserve Banks, which high reserves have been the subject of unjust criticism, and that it would also create a secondary gold reserve in the hands of the people. The Council is of the opinion that both of these arguments are of comparatively slight importance in the face of conditions as we see them.

The Council is glad to learn that since the Secretary of the Treasury's letter of March 6th was submitted, a full exchange of views has taken place between the Treasury, the Board and the Federal Reserve Banks, from which a full understanding has resulted concerning the most important points raised in the Secretary's letter. The Council notes with great satisfaction from the Secretary's letter of April 25th that all parties now agree that under the provisions of the Federal Reserve Act, the final responsibility with respect to their conduct of business and with regard to their general methods of making payments must rest with the Federal Reserve Banks, acting under the direction and supervision of the Federal Reserve Board. This, however, does not prevent that when Federal Reserve Banks act as redemption agencies for the Treasury, taking the place of subtreasuries, they may be requested to make payments in gold or gold certificates in redemption of the Government's obligations. Moreover, as already stated, the general policy should be adopted by them never to refuse to make payments in gold in the discharge of their own obligations whenever a payee makes a particular request for such gold payment.

The Federal Reserve Act provided for the gradual elimination of sub-treasuries and for the undertaking of fiscal agency functions by the Federal Reserve Banks. This obviously brings about the necessity of

devising ways and means of doing justice to the requirements of the Treasury without affecting the autonomy of the Federal Reserve System and creating the dangers and defects which may result from a division of authority and control.

It was with these conditions in view that the Federal Reserve Act made the Secretary of the Treasury an ex officio member and Chairman of the Board, so that through the Board as a joint instrument, with the Secretary's cooperation and in full understanding with him, policies and plans of action could be devised which would best serve the interests of both the Treasury and the Federal Reserve System, and which would then be carried into effect through the joint instrumentality of the Federal Reserve Board. The Council is glad to note that the Secretary's letter of April 25th augurs well for a fruitful cooperation on these lines.

TOPIC 2. In order to make some headway in the matter of retiring national bank note circulation, would it be advisable for the Federal Reserve Banks to adopt the policy of forwarding all national bank notes received by them, whether for deposit or redemption, to the Treasurer of the United States for redemption, thus making it much more difficult for national banks to maintain their circulation and tending to make the profit disappear, in which event the premium on circulation bonds would correspondingly tend to disappear; and the Federal Reserve Banks might then be in a better position to acquire the circulation bonds and gradually accomplish the retirement of national bank notes.

RECOMMENDATION: The Council is of the opinion that the Federal Reserve Banks should not adopt a policy which would tend to force the retirement of circulation notes of national banks by making their issue unprofitable.

ADDITIONAL RECOMMENDATIONS:

RECOMMENDATION 3: In answer to inquiry from the Federal Reserve Board the Federal Advisory Council would state it is of the opinion that no Federal Reserve Bank should be permitted to refuse to accept national bank notes for deposit, as we believe that so long as national bank notes are outstanding they should remain on a parity with the other circulating media and it is therefore essential that no discrimination against them be made by Federal Reserve Banks.

RECOMMENDATION 4: The Council recommends that the Federal Reserve Board permit Federal Reserve Banks to purchase in the open market, trade acceptances bearing the endorsement of a third name in the same manner as is required by the Board in the purchase of bankers acceptances under Section 14 of the Federal Reserve Act.

RECOMMENDATION 5: The Federal Reserve Board has been asked to amend Regulation D, Series of 1920, so as to sanction the methods of treating as time or savings deposits, deposits which in practice are payable on demand. The Council expresses itself as opposed to any modification of this Regulation which might tend to serve as a subterfuge in order to secure lower reserve requirements.

RECOMMENDATION 6: In view of the very large surplus earned by the Federal Reserve Banks in the past several years, the Council, while not passing upon the legal aspect of the question, but solely from the standpoint of equity and sound banking policy, is of the opinion that it would be proper at this time for the Federal Reserve Banks to continue payment of dividends from surplus, even though not currently earned, particularly as the maximum rate is 6% per annum and such dividends are cumulative.

RECOMMENDATION 7: The Council approves the principle involved in Senate Bill 3255, providing for the extension of charters of national banks.

RECOMMENDATION 8: The Council suggests to the Federal Reserve Board the importance of pursuing a campaign of education of the public regarding the functions and operations of the Federal Reserve System.

RECOMMENDATION 9: The Council has read with interest the letter of the Secretary of the Treasury to the Governor of the Federal Reserve Board dated April 25, 1922, relative to investments of Federal Reserve Banks, in which the Secretary requested the consideration of the subject by the Federal Advisory Council.

The Council congratulates the country upon enjoying a financial administration which takes the enlightened point of view that the Federal Reserve System should not be used for the purpose of carrying the Government's obligations. Many countries in Europe would have been saved from some of their most serious financial difficulties, if equal wisdom had governed their policies.

The Council is also in sympathy with the point of view expressed by the Secretary of the Treasury that the Federal Reserve Banks should avoid excessive investments in Government securities, even of a short maturity. The Council is fully in accord with the views implied that the Federal Reserve Banks should by preference seek investments in the fields of such bills of exchange as they can purchase in the open market.

The Council is of the view, however, that the particular circumstances prevailing at present must be borne in mind, especially the present high percentage of reserves of the System.

Moreover, if the Federal Reserve Banks should entirely liquidate their holdings of Government obligations, they would thereby lose all power of influence on the banking situation of the country, in case excessive ease of money should develop, threatening a new era of inflation. In such times, it is of the utmost importance that the Federal Reserve System should be able to dispose of its holdings, thereby throwing the burden on the member banks and thus exercising a restraining influence. The floating supply of bills at present is extremely limited. Aggressive buying of acceptances would, no doubt, tend further to reduce the rate at which these acceptances could be bought, and it might destroy to a certain extent at least the distribution of acceptances among a large part of buyers - the so-called acceptance market - which has been built up with no little effort.

While the Council believes at the same time that the Federal Reserve System would be well advised in making efforts to increase its holdings of acceptances, there is no doubt that the Federal Reserve Banks as a whole can not avoid at this time, for the reasons above explained, investing very substantial amounts either in Government Bonds, Certificates of Indebtedness, or warrants. Of these three, no doubt, the short term Treasury Certificates are the most suitable as investments for the Federal Reserve Banks. Bearing in mind that the capital and surplus of the combined Federal Reserve Banks amount

to approximately \$300,000,000, the Council does not feel that there is just cause to criticise the Federal Reserve Banks for having invested in Treasury Certificates and short term Government obligations up to an amount which is not largely in excess of their capital and surplus, and which, considering the amount of their assets, constitutes only a small part of their resources.

The Council is still of the opinion that the Federal Reserve Banks should avoid investing in long term Government bonds. The Council further urges the Federal Reserve Banks when making any purchases of short term Government obligations, that such purchases should not interfere with Treasury operations.

In giving this view, the Council is in no way moved by any consideration of earnings of the Federal Reserve Banks, but stands entirely by the opinion expressed in its resolution of November 21, 1921, as follows:

"The Board brought to the attention of the Council the matter of the increase in the reserves of the Federal Reserve Banks, and the apparent approach of the time when, as a result of the liquidation of borrowings by member banks, the Federal Reserve Banks will be seeking investment for their idle funds. The Board requested the Council's opinion as to the wisdom of the Federal Reserve Banks' investing these funds in United States Government bonds.

"The Council stated that it is not disturbed by the fact that the earnings of the Federal Reserve Banks are decreasing because of the accumulation of idle funds. The Federal Reserve Banks were not created for profit and the Council is mindful of the fact that, as past experience has shown, times of temporary idleness of funds are bound to be followed by periods of greater demands for money, be they seasonal or emergency requirements.

"Whenever it may appear necessary for Federal Reserve Banks to seek investments in the open market, the Council would recommend that preference be given to obligations such as:

1. Bankers Acceptances.
2. United States Certificates of Indebtedness.
3. Such short term State and Municipal obligations as are permitted by the Federal Reserve Act."

RECOMMENDATION 10. The Council notes with great satisfaction the recent ruling of the Federal Reserve Board in relation to bankers acceptances, in harmony with Recommendation No. 11 of the Federal Advisory Council, dated May 17, 1921.

RECOMMENDATION 11. Excessive borrowings. In the judgment of Council, the most effective way to handle the situation is by the personal influence of the Governor of each Federal Reserve Bank on the member banks borrowing to excess.

CONFIDENTIAL

For officials of
Treasury Department, Fed-
eral Reserve Board, and
Federal Reserve Banks.

X-3393

CURRENCY DISTRIBUTION AND PAYMENT
POLICY FOR FEDERAL RESERVE
BANKS

The committee on currency supply and distribution, with membership representing the Treasury and the Federal Reserve Board, at a meeting in the Office of the Commissioner of the Public Debt, in March, 1922, with representation from Federal Reserve Banks present in accordance with a minute adopted by the conference of Governors of the Federal Reserve Banks held in Washington in October, 1921, adopted three specific recommendations. The Secretary of the Treasury and the Federal Reserve Board have considered these recommendations and, after a further conference with the committee and after further study of the whole currency situation, have agreed upon the following program which it is believed will further the effective, sound, and economical distribution of currency through the Federal Reserve Banks. In order, however, that the execution of the program will attain its maximum good, it is necessary that each Federal Reserve Bank agree to adopt and uniformly carry out the procedure or policies outlined herein.

They are:

1. STANDARDS OF FITNESS OF CURRENCY.

Paper currency tendered for redemption in order to be classed as fit for further circulation must be fairly clean so that its class, denomination and genuineness can be determined without difficulty, and must contain a sufficient amount of "life" or "sizing" to permit its being handled with facility. It should not contain heavy creases which

break the fibre of the paper and indicate that disintegration has begun. A fit note when held by one end in one hand and pressed into a slightly concave shape lengthwise should sustain itself substantially on a line with the hand. It should not present a limp or rag like appearance. If a note has retained a fair amount of the original strength or "sizing", it is fit unless it is so badly soiled as to be offensive, or is torn, perforated or otherwise mutilated. Mere creasing or wrinkling that has not broken nor seriously weakened the note does not make it unfit. So-called "dog ears" or bent corners do not render notes unfit.

- (a) The standard of fitness defined above shall apply to all forms and denominations of circulating currency.
- (b) Test examinations of each kind and each denomination of paper currency presented for redemption by each Federal Reserve Bank will be made under the general supervision of the Treasury and Federal Reserve Board Currency Committee, and the results of such examinations will be reported at the end of each month to the Federal Reserve Board for the information and guidance of Federal Reserve Banks.

II. METHODS OF DISTRIBUTION

In order that the standards of fitness in the circulation outstanding in the several Federal Reserve Districts shall be as nearly uniform as possible, and in order that there may be a uniform policy in all districts as to the different kinds of currency to be put into circulation, new currency should be distributed through the Federal Reserve Banks and not direct from the Treasury except for purely local needs.

III. ORDER OF PAYMENT OF DIFFERENT KINDS OF CURRENCY

Federal Reserve Banks, in making payments of currency, should distribute currency in the following order of preference:

(a) 5's and over*

- (1) National bank notes
- (2) Federal Reserve Bank notes
- (3) Silver Certificates
- (4) U. S. Notes (Legal Tenders)
- (5) Federal Reserve notes
- (6) Gold Certificates

(b) 1's and 2's

- (1) Federal Reserve Bank notes
- (2) Silver Certificates
- (3) U. S. Notes (Legal Tenders)

*Note:- Since the maximum denomination of national bank notes, silver certificates and legal tenders is \$1,000, payments in denominations higher than that amount must be made in Federal Reserve notes and Gold certificates, in the order named.

IV. NATIONAL BANK NOTES

While it is believed that national bank circulation ultimately will be eliminated entirely, it is felt that this may be accomplished only through Congressional action and not otherwise.

Meanwhile, Federal Reserve Banks should not discriminate against the national bank currency, whether fit or unfit, either in respect to its receipt for deposit or in respect to its shipment to the Treasury for redemption. The standard of fitness prescribed in paragraph I. must apply equally to national bank currency and all other forms of currency.

V. SILVER CERTIFICATES.

It has been estimated that the normal requirements for the \$1 and \$2 denominations of currency approximate \$400,000,000. It is believed that so far as is legally possible United States currency of these denominations should consist of silver certificates, any excess of demand over supply being filled by the issue of United States notes (legal tenders) rather than any other form of currency.

VI. UNITED STATES NOTES (Legal Tenders)

It is believed that this form of currency may be eliminated at some appropriate time in the future but that until eliminated it should be the policy of the Treasury to confine the printing and circulation of United States notes to the denominations of \$1, \$2, \$5, and \$10, with preference for the \$1 and \$2 denominations, as may be required.

VII. FEDERAL RESERVE BANK NOTES

In view of the fact that the present program of the Treasury contemplates a retirement, within the near future, of all Pittman Act certificates against which Federal Reserve Bank notes are issued, all Federal Reserve Banks should pay out any such bank notes on hand in order to use them up and have them permanently retired during the period when the Treasury is paying off the certificates.

Neither the Federal Reserve Banks nor the Federal Reserve Board should place any more orders for the printing of Federal Reserve Bank notes.

VIII. PRINTING PROGRAM (Federal Reserve Notes)

- (a) Standing agreement - Each Federal Reserve Bank should advise the Federal Reserve Board of the amounts of Federal Reserve notes in each denomination that it desires to have in its reserve stock of unissued notes, specifying how much of each denomination is to be held in Washington. Orders for printing of Federal Reserve notes should be automatic, so that any deficiency in the agreed Washington stock of any denomination should be tantamount to an order to print sufficient amounts to bring that stock up to the agreed minimum.
- (b) Manufacturing program for 1922. In order, however, to facilitate the manufacturing program of the Bureau of Engraving and Printing, each Federal Reserve Bank should, before June 1, 1922, estimate and advise the Federal Reserve Board of the amounts of each denomination of Federal Reserve notes that it will requisition from Washington during the remainder of the calendar year. With such estimates at hand, the Federal Reserve Board will place orders to have printed for each bank each month the proper proportion of the amounts of each denomination which the bank estimates it will withdraw from the Washington reserve stock during the balance of the year. If at any time during the remainder of the year, a Federal Reserve Bank finds it necessary to increase or decrease its estimates it should so advise the Board by telegram on the last business day of any month, stating the amount of each denomination which it expects to withdraw from the Washington reserve stock during the remaining months of the year. The Board will then adjust printing orders accordingly. Although this program may result in a temporary increase in the reserve stock of some of the banks over and above the fixed minimum figure, it will accomplish an orderly operation of the printing process for the balance of the year, and will leave each Federal Reserve Bank with its agreed minimum reserve stock of notes at the end of the calendar year. (This plan supersedes the Federal Reserve Board's letter X-3381 of April 11, 1922).

IX. DISTRIBUTION OF UNITED STATES CURRENCY BY TREASURY DEPARTMENT

United States currency - Each Federal Reserve Bank will advise the Federal Reserve Board (for head

office and each branch separately) of the amounts of \$1 and \$2 bills estimated to be sufficient for one month's reserve supply and will now place orders with the Board (for head office and each branch separately) to create cash reserves of these amounts. Hereafter, each bank will telegraph to the Federal Reserve Board on the last business day of each month the amount of each denomination of \$1 and \$2 notes (United States currency) estimated as sufficient to maintain reserve stocks at the head office and branches at the fixed figures. Monthly orders to the Federal Reserve Board for United States currency from the Treasury must be confined solely to the \$1 and \$2 denominations, and must not include requisitions for higher denominations, but if at any time the Treasury finds it necessary under the law to issue United States notes or other kinds of United States currency in denominations above \$1 and \$2, such notes will be apportioned among the twelve Federal Reserve Banks, which will accept them and pay them out as contemplated in paragraph III.

(Signed) W. S. BROUGHTON,
Chairman.

" WALTER L. EDDY

" W. E. BUELL

" C. S. PEARCE

CURRENCY COMMITTEE.

April 26, 1922.

APPROVED:

(Signed) A. W. MELLON,
Secretary of the Treasury.

APPROVED:

Federal Reserve Board
(Signed) W. P. G. HARDING,
Governor.

FEDERAL RESERVE BOARD
WASHINGTON

May 3, 1922.
X-3394

SUBJECT: Daylight Saving, District No. 3.

Dear Sir:

You were advised by the Federal Reserve Board, in its telegram of April 12, 1922, that the Federal Reserve Bank of Philadelphia would operate on the daylight saving plan during the period April 30th - September 30th (both dates inclusive).

The Board is now advised by the Federal Reserve Bank of Philadelphia that the daylight saving period in that District will terminate on September 24th. Standard time will, therefore, be in effect again in District No. 3 on September 25th.

Very truly yours,

Walter L. Eddy,
Assistant Secretary.

TO THE GOVERNORS OF ALL FEDERAL RESERVE BANKS
EXCEPT PHILADELPHIA.

FEDERAL RESERVE BOARD
GOLD SETTLEMENT FUND

X-3395
Washington, D. C.
May 5, 1922.

Summary of transactions for period ending May 4, 1922.

(CONFIDENTIAL)

Federal Reserve Bank of	Balance last statement Apr. 27, 1922.	Gold Withdrawals	Gold Deposits	Aggregate withdrawals and transfers to Agent's fund	Aggregate deposits and transfers from Agent's fund	TRANSFERS	
						Debits	Credits
Boston	\$ 24,396,376.02	\$ 693,245.00	\$ 1,000.00	\$ 693,245.00	\$ 1,000.00	\$ -	\$ -
New York	94,203,801.59	1,242,938.50	25,000.00	1,242,938.50	25,000.00	-	-
Philadelphia	56,871,232.43	644,940.00	10,500,000.00	10,644,940.00	10,500,000.00	-	-
Cleveland	47,652,336.05	1,313,747.00	-	1,313,747.00	-	-	-
Richmond	32,221,015.81	887,770.00	5,000,000.00	887,770.00	5,000,000.00	-	-
Atlanta	28,088,699.47	526,401.24	-	12,526,401.24	-	-	-
Chicago	68,973,802.82	1,009,675.00	-	1,009,675.00	-	-	-
St. Louis	7,965,944.24	819,901.07	1,007,500.00	819,901.07	3,007,500.00	-	-
Minneapolis	26,553,983.82	307,116.01	-	307,116.01	-	-	-
Kansas City	25,825,255.33	1,776,500.47	2,000,600.00	3,776,500.47	2,000,600.00	-	-
Dallas	8,280,986.98	857,942.22	1,000,000.00	857,942.22	1,000,000.00	-	-
San Francisco	36,965,008.11	998,265.78	5,204,721.00	10,998,265.78	6,628,721.00	-	-
Total	\$ 457,998,442.67	\$ 11,078,442.29	\$ 24,738,821.00	\$ 45,078,442.29	\$ 28,162,821.00	\$ -	\$ -

Federal Reserve Bank of	Settlements from April 28, 1922 to May 4, 1922 inclusive.				Balance in fund at close of business May 4, 1922.	Summary of changes in ownership of gold by banks through transfers and settlements.	
	Net Debits	Total Debits	Total Credits	Net Credits		Decrease	Increase
Boston	\$ 1,790,835.67	\$ 104,447,732.78	\$ 102,656,897.11	\$ -	\$ 21,913,295.35	\$ 1,790,835.67	\$ -
New York	15,261,123.03	443,925,154.05	428,664,031.02	-	77,724,740.06	15,261,123.03	-
Philadelphia	-	137,594,622.54	137,923,874.96	329,252.42	57,055,544.85	-	329,252.42
Cleveland	2,394,505.16	107,562,345.90	105,167,840.74	-	43,944,083.89	2,394,505.16	-
Richmond	2,691,451.49	98,530,660.87	95,839,209.38	-	33,641,794.32	2,691,451.49	-
Atlanta	-	41,985,156.79	51,797,776.15	9,812,619.36	25,374,917.59	-	9,812,619.36
Chicago	3,045,105.44	220,769,609.05	217,724,503.61	-	64,919,022.38	3,045,105.44	-
St. Louis	610,196.53	92,569,211.97	91,959,015.44	-	9,543,346.64	610,196.53	-
Minneapolis	-	28,061,549.88	31,143,196.42	3,081,646.54	29,328,514.35	-	3,081,646.54
Kansas City	-	68,563,540.36	77,571,252.68	9,007,712.32	33,057,067.18	-	9,007,712.32
Dallas	-	36,462,300.88	39,200,064.79	2,737,763.91	11,160,808.67	-	2,737,763.91
San Francisco	-	58,772,669.91	59,596,892.68	824,222.77	33,419,686.10	-	824,222.77
Total	\$ 25,793,217.32	\$ 1,439,244,554.98	\$ 1,439,244,554.98	\$ 25,793,217.32	\$ 441,082,821.38	\$ 25,793,217.32	\$ 25,793,217.32

1743

FEDERAL RESERVE AGENTS' FUND

X-3395 a
Washington, D. C.
May 5, 1922.

Summary of transactions for period ending May 4, 1922.

(CONFIDENTIAL)

Federal Reserve Agent at	Balance last statement Apr. 27, 1922.	Gold Withdrawals	Gold Deposits	Withdrawals for transfers to bank	Deposits through transfers from bank	Total Withdrawals	Total Deposits	Balance at close of business May 4, 1922.
Boston	\$ 120,000,000	\$ -	\$ 3,000,000	\$ -	\$ -	\$ -	\$ 3,000,000	\$ 123,000,000
New York	401,000,000	-	-	-	-	-	-	401,000,000
Philadelphia	144,389,260	5,000,000	-	-	10,000,000	5,000,000	10,000,000	149,389,260
Cleveland	165,000,000	-	-	-	-	-	-	165,000,000
Richmond	42,795,000	3,000,000	-	-	-	3,000,000	-	39,795,000
Atlanta	81,500,000	3,500,000	1,000,000	-	12,000,000	3,500,000	13,000,000	91,000,000
Chicago	342,644,500	5,000,000	5,000,000	-	-	5,000,000	5,000,000	342,644,500
St. Louis	63,300,000	2,000,000	1,500,000	2,000,000	-	4,000,000	1,500,000	60,800,000
Minneapolis	16,000,000	-	-	-	-	-	-	16,000,000
Kansas City	39,360,000	-	1,000,000	-	2,000,000	-	3,000,000	42,360,000
Dallas	10,000,000	-	-	-	-	-	-	10,000,000
San Francisco	187,016,500	-	-	1,424,000	10,000,000	1,424,000	10,000,000	195,592,500
Total	\$ 1,613,005,260	\$ 18,500,000	\$ 11,500,000	\$ 3,424,000	\$ 34,000,000	\$ 21,924,000	\$ 45,500,000	\$ 1,636,581,260

FEDERAL RESERVE BOARD

WASHINGTON

X-3396
May 8, 1922.

SUBJECT: Reimbursement of Fiscal Agency Expenses.

Dear Sir:

At the conference of Governors of the Federal Reserve Banks recently held in Washington, there was referred to it for consideration a letter from the Under Secretary of the Treasury, a copy of which is enclosed for your information.

The conference requested the Federal Reserve Board, in behalf of the Federal Reserve Banks, to advise the Treasury that the banks will submit estimates of expenses and will ask for reimbursement. The Secretary of the Treasury has been advised that this will be done. July 1, 1922 has been fixed by the Treasury as the date from which the reimbursements will be made. You are requested to have made up and forward to the Board at your early convenience a list of all junior officers or managers, heads of divisions and employees whose time is devoted entirely to fiscal agency work, together with a statement of the salary paid in each case. This information will be transmitted to the Treasury Department.

The Treasury wishes it understood that in making reimbursement there will be no provision made for general supervision or overhead, thus following the precedent established during the time when fiscal agency expenses were reimbursed.

Very truly yours,

G o v e r n o r .

CHAIRMEN OF ALL F.R.BANKS
COPIES TO GOVERNORS

C O P Y

THE UNDERSECRETARY OF THE TREASURY

Washington

May 1, 1922.

X-3396a.

My dear Governor:

This will confirm the statement which I have several times made orally to you and other members of the Federal Reserve Board that, in view of the extension of the appropriation for expenses of loans and the probability that at least some of the Federal Reserve Banks will not be able under present conditions to earn enough to pay expenses and dividends without making special investments in Government securities for that purpose, the Treasury now stands ready, upon request through the Federal Reserve Board, to reimburse the Federal Reserve Banks for necessary fiscal agency expenses. The Treasury will be prepared to discuss with the Federal Reserve Board, or with the Federal Reserve Banks individually, as may be desired, any details relating to reimbursement for fiscal agency expenses, with particular reference to the dates from which the Treasury will resume reimbursement. It is understood, of course, that if the Treasury is to make reimbursement for fiscal agency expenses the Federal Reserve Banks, with the cooperation of the economy and efficiency committee of the Federal Reserve Board, will make every effort to keep fiscal agency expenses down to the minimum, and that the Treasury will itself have the right to exercise general supervision over these expenditures.

Yours very truly,

(Signed) S. P. Gilbert, Jr.,
Under Secretary.

Hon. W. P. G. Harding,
Governor, Federal Reserve Board,
Washington, D. C.

FEDERAL RESERVE BOARD

WASHINGTON

X-3397
May 8, 1922.

SUBJECT: Currency Policy

Dear Sir:

The currency distribution and payment policy for the Federal Reserve Banks set forth in the enclosed pamphlet will become effective June 1, 1922.

Before the plan becomes effective all Federal Reserve Banks are requested to give the following information to the Federal Reserve Board:

- (1) The amounts of Federal Reserve notes in each denomination that each bank desires to have in its reserve stock of unissued notes.
- (2) What amount of the reserve stock of each denomination is to be held in Washington.
- (3) What amount (estimated) of each denomination of the reserve stock of notes now held in Washington will be requisitioned during the remainder of the calendar year.
- (4) The amounts (for head office and each branch separately) of new \$1 and \$2 notes (United States Currency) estimated to be sufficient for one month's reserve supply.
- (5) The estimated amounts of new \$1 and \$2 notes (United States currency) which will be needed during June, 1922 to maintain throughout the month reserve stocks of these notes at approximately the fixed figures.

It is requested that on May 31, 1922, each Federal Reserve Bank wire the Federal Reserve Board the amount of new \$1 and \$2 notes (United States currency) on hand.

Very truly yours,

(Enclosure)

G o v e r n o r .

TO THE GOVERNORS OF ALL FEDERAL RESERVE BANKS.

FEDERAL RESERVE BOARD

WASHINGTON

X-3398

May 8, 1922.

SUBJECT: Transfers to Five Per Cent Redemption
Fund Accounts of National Banks.

Dear Sir:

Practically all deposits for credit of national banks in the Five Per Cent Redemption Fund against national bank note circulation are made through the Federal Reserve Banks and Branches. The Treasury Department has advised the Board that it is desirable that funds deposited by national banks with Federal Reserve Banks and Branches for credit in the national banks' Five Per Cent Redemption Fund accounts should be covered into the Five Per Cent Redemption Fund against national bank note circulation on the day they are received by the Federal Reserve Banks and Branches. Under the present procedure this is impossible and a new procedure has, therefore, been suggested and has the approval of the Treasury Department and the Federal Reserve Board.

Commencing with June 1, 1922, each Federal Reserve Bank and Branch will wire direct to the Treasurer of the United States, National Bank Redemption Agency, Washington, at the close of business each day the total amount deposited with it by national banks for transfer to the Treasurer of the United States for credit in their Five Per Cent Redemption Fund accounts and in the same telegram will authorize the Treasurer of the United States to charge the given total to the Federal Reserve Bank's (head office) Five Per Cent Redemption Fund account against Federal Reserve notes and request him to cover a like amount into the Five Per Cent Redemption Fund against national bank notes. The necessary authority to authorize the Treasurer of the United States to charge the parent bank's Five Per Cent Redemption Fund account against Federal Reserve notes should be given to all branch banks. Each Federal Reserve Bank and Branch will mail direct to the Treasurer of the United States, National Bank Redemption Agency, daily a schedule giving the names of national banks which have during the day deposited funds to be transferred to the Treasurer of the United States for credit in their Five Per Cent Redemption Fund accounts and the amount so deposited by each national bank named should also be indicated.

The following code word will be used by the Federal Reserve Banks and Branches in their telegrams to the Treasurer of the United States;

DURBAR Charge our (head office) Five Per Cent Redemption Fund account against Federal Reserve notes \$ _____ and cover like amount into Five Per Cent Redemption Fund against national bank notes. Upon receipt of schedule mailed you today please credit Five Per Cent Redemption Fund accounts of banks named in amounts indicated.

Upon receipt by the Treasurer of the United States of the above telegram from a Federal Reserve Bank, or a Branch or Branches thereof, the Treasurer will telegraph the Federal Reserve Bank as follows, using code word:

DUSKY Have today charged your Five Per Cent Redemption Fund account against Federal Reserve notes in the following amounts, in accordance with telegraphic requests of this date made by your bank and branches: (Name of city in which head office is located) \$ _____; (Name of city in which branch is located) \$ _____. Total amount charged has been covered into Five Per Cent Redemption Fund account against national bank notes. Upon receipt of schedules national banks named therein will be given credit.

Very truly yours,

G o v e r n o r .

TO GOVERNORS OF ALL
FEDERAL RESERVE BANKS.

"AMERICA AND THE DEBTS OF EUROPE" ,

Address by

EDMUND PLATT

VICE-GOVERNOR FEDERAL RESERVE BOARD

before

THE AMERICAN ACADEMY OF POLITICAL AND SOCIAL SCIENCE

Philadelphia, Pa.

Friday Evening, May 12, 1922.

X-3399.

For Release in Morning Papers,
Saturday, May 13, 1922.

The topic assigned for discussion this evening "America and the Debts of Europe" is broad enough to allow of considerable latitude and does not necessarily imply that discussion is to be limited to the debts of Europe to America, but I take it that it is with such debts that we are chiefly concerned, and I propose to speak particularly of the debts not of European governments to our government or even to our people who have purchased the bonds of European governments, but of the debts which business men, manufacturers and bankers of Europe owe to our business men, manufacturers and bankers.

With regard to the great debt of our former allies or associates in the war to our government I merely want to say in passing that I have been rather surprised as to the source from which the principal demand for its early payment appears to come. If this demand came from the great financial centers or from men of large incomes who pay the most burdensome taxes, it would be explained by the desire for relief from taxes through the application of the sums received to the reduction of the war debt, but it appears to come from producing centers, and particularly from agricultural sections which are dependent upon export demand for their products for maintenance of prices. It would seem clear that early payment of any part of this debt must decrease the purchasing power of the people of the allied countries and must therefore make for lower prices for the products we sell to them.

It is of course well known that European merchants, traders and bankers owe large sums of money to Americans. Even if we had no direct

proof of this we should know that it must be true from the fact that large flotations of foreign securities have been made in this country without turning the tide of gold importations. Since last October the foreign financing in this country has at times almost equalled the current trade credit balance, but gold importations have continued, with only a slight slackening due evidently to the stoppage of gold production in the South African mines through strikes.

How much of an unfunded trade balance is there? This has proven an interesting study for economists and statisticians and they have assembled many columns of interesting figures, but have differed considerably in their conclusions. I think the first serious effort to bring together the known facts, the visible items, with some estimate of the "invisible" items was made by the Federal Reserve Board's Division of Analysis and Research in the Federal Reserve Bulletin for September, 1920. A merchandise balance had accumulated in our favor of \$6,062,000,000 between November 1, 1918 and July 31, 1920 and it had become very evident long before that such a one-sided trade could not be carried on indefinitely. The Federal Reserve Bulletin brought to light offsets that appeared to reduce this balance of more than six billion dollars to about three billion dollars, adding that "from this, of course, must be deducted the amount of indebtedness to European and other countries which existed at about the time of the Armistice."

This was followed the next month by a much more elaborate study by Dr. B. M. Anderson in the Chase Economic Bulletin on Europe's unfunded debt. His conclusion was that "on September 15, 1920 Europe

owed an unfunded debt of over \$3,500,000,000 to private individuals, banks and corporations in the United States," this being in addition to the ten billion dollars which European governments owed to the United States government, and in addition to the debt of Europe to investors in the United States holding European securities. Dr. Anderson maintained that the primary explanation of the tremendous expansion of bank credit in the United States in 1919-20 was "our unbalanced and unfinanced export trade, together with the rising prices, fictitious prosperity, and speculation which have grown out of the unbalanced export trade." Our exporters had borrowed money from our banks in large amounts because of inability to collect what was due them abroad, or because they had taken payments in foreign currency balances which they thought they could convert into American dollars at more favorable rates of exchange later. Dr. Anderson declared that computations as to the unfunded balances owed us on our world trade were not particularly valuable - that the European balance was the only one that counted, as the triangular exchange of goods and of credit by which America's credit balances in Europe had been settled through debit balances with South America and the Orient had broken down.

This idea was combatted by Prof. John H. Williams in the June, 1921 Review of Economic Statistics of the Harvard University Committee on Economic Research. He gave reasons for believing that it is still permissible to subtract from Europe's debt to us the amounts we owe to non-European countries, and his final conclusion was that the unfunded debt to the American merchants, bankers and corporations was

considerably smaller than others had estimated. "Our international situation since the Armistice," he declared, "has been less alarming than has frequently been stated. It appears improbable that our unfunded balance exceeded a billion dollars at the end of last year" (December 31, 1920). Our unfunded balance from Europe was estimated at from half a billion to a billion greater than our balance with the world as a whole, but he concluded "It is not possible to believe that so prolonged and pronounced a recovery could have occurred (in European exchanges) had London and the Continent been indebted to the United States - besides the \$10,844,000,000 of obligations held by our government and the private long term indebtedness - by some three to four billion dollars". In November, 1921, the Federal Reserve Bulletin returned to the subject with a much more complete statement of items of credit and debit than in the study of September, 1920, the conclusion being that so far as visible items, and items which could be estimated with some approach to accuracy were concerned, the sum due our merchants, bankers and corporations was on October 1, 1921 no less than \$3,408,000,000. The Bulletin mentioned offsets that might reduce this amount, such as the speculative purchases of foreign currencies by Americans, but did not attempt to estimate their amount. This sum referred to our trade with non-European as well as with European countries. It was swelled half a billion dollars by the inclusion of an item with relation to the cost of cancellation of European war contracts in this country in 1919, an item not included, I think, in any previously published estimate.

The February 1922 Federal Reserve Bulletin pointed out that in October, November and December our favorable balance of trade was a little less than \$300,000,000, from which gold imports of \$125,000,000 were to be subtracted, leaving the net addition to the unfunded balance \$175,000,000, and conjecturing that the invisible items plus foreign financing probably more than offset that amount. The unfunded balance on January 1, 1922 was therefore given as \$3,400,000,000, lopping off \$8,000,000 from the November estimate.

There have, of course, been other contributions on this subject. The Journal of Commerce on Monday, April 24th, published a number of articles by leading bankers and economists, and the economic magazines have published occasional papers, but generally speaking these have added only an item or two to the studies already referred to, or have expressed opinions without bringing much that was new to their support.

It is noteworthy that the main studies of this subject coincided with periods of depression or of recovery in sterling exchange. Sterling had been pegged during the war at 4.76, and when allowed to take its own course after March 18, 1919 began to fall until in February, 1920 it reached a low point of 3.18. It recovered to 4.00, then fell to 3.58 in August

at the time when the first study of unfunded balances was made in the Federal Reserve Bulletin in September of that year, followed by Dr. Anderson's study of October. In the Spring of 1921 there was a remarkable recovery with cable rates at or a little above \$4.00 for more than a week in the latter part of May, and it was during this period of recovery, or before the reaction from it had proceeded far, that Prof. Williams made his elaborate contribution to the Harvard Review of Economic Statistics. It was natural at that time to find reasons for believing the unfunded balance much less than had previously been estimated, and Prof. Williams' conclusion that so pronounced a recovery could not have occurred with so great an unfunded balance as three or four billions of dollars seems justified. By the time of its publication, however, in June the reaction was well under way and before the end of July sterling rates were as low as in August of the year before, below 3.60 from the 19th of July to August 6th.

When the Division of Analysis and Research of the Federal Reserve Board made its second and chief investigation of the question of unfunded debts for the November issue of the Bulletin there had been considerable recovery, but the study was published or was prepared, just before the notable rise in sterling, in French francs and in lira that began about the time the Conference on the Limitation of Armaments met in Washington. By the end of November British pounds had risen to about \$4.00, and by December 31st to 4.21 1/4, and by March to \$4.40. Since March the advance has proceeded less rapidly, but has been well sustained. There is no further talk of debasing the pound and British bankers express confidently their expectation that par may be reached before the close of the present year, or soon after the end of the year.

There is no necessary conflict between the figures on the unfunded balance as given in the November Federal Reserve Bulletin and carried forward to the end of the year and other studies of the subject, with the exception of one or two items, for the reason that the Bulletin has not attempted anything further than an appraisal of known facts with such invisible items as had long been estimated as offsetting the balance of trade, such as tourists' expenditures, relief contributions, emigrants' remittances, etc., concerning which enough information could be obtained upon which to base estimates. As already stated it appears that the gold imports, the known investments of Americans in foreign securities, and the invisible items included in the Bulletin's figures have somewhat overbalanced the excess of exports over imports for several months,

but for more than a year imports have been slowly increasing while exports (in value at least) have been decreasing, so that this change alone is not enough to account for the very pronounced and well sustained rise in sterling and in the principal allied currencies. The conclusion seems inevitable that no such recovery could have been made if there were still an unfunded balance due the merchants and bankers of this country as great as three billion dollars.

That there was such a balance in the summer of 1920, when the Federal Reserve Board first undertook an investigation of the subject I have no doubt. Liquidation had scarcely begun at that time, and Dr. Anderson was doubtless also right in attributing a large share of the overextended condition of banks in the financial centres to the efforts of our exporters to carry this balance. Whether it could have been cut down so much as Prof. Williams estimated by the beginning of the year 1921 seems more than doubtful, but that liquidation and invisible offsets had by that time become well started is reasonably certain. The Federal Reserve Bulletin has suggested that speculative purchases of foreign currencies may have been a large item and has also suggested that American exporters have doubtless charged off considerable losses. It seems probable that the major depressions of exchange mark periods when our people were seeking to convert foreign balances into dollars and that exchange recovered when most of the conversions had been made and losses wiped out. Some very large American exporters are known to have taken considerable losses in

this way. They sold in terms of foreign currencies, and found them when payments became due considerably depressed, but when recovery was delayed beyond their expectations they finally bought dollars and took their losses. Very large losses are also known to have been charged off by some of our bankers.

It should be remembered always that even if the balance of trade were actually against us European exchanges would not be at their old gold pars. The principles laid down in the well know Bullion Report of 1810 with regard to the effect of irredeemable paper currency on exchange still govern. With the English budget in balance and British prices about as low as ours, sterling might be nearer the old par than it is now if there were no unfunded balance due us, but it can not go to par until the paper currency of England is actually and freely exchangeable for gold.

Predictions as to the future course of exchange are rather thankless, however. As already mentioned there were British economists and bankers who declared no longer ago than last fall that the pound sterling could never recover, or that its recovery could not be attained without a ruinous decrease of prices, and that it would be better to stabilize it at about 3.65 or 3.70. There has in fact been a considerable decline in prices in Great Britain and that decline has been doubtless a leading factor in the recovery of sterling and also in the recovery of Britain's export trade.

No longer ago than April 1st the editor of the Economic World whose articles are always worth reading and usually sound predicted that "no

person now living will ever see the value of the present French franc of actual currency normally and regularly equal to one-half of that of the gold franc established by law as the monetary unit of France". At the time that was published the French franc was quoted at about 9 cents in our currency. It had been as low as 5.79 in 1921 but had recovered to 8.13 at the end of December. Within a little more than two weeks after Mr. March made this prediction French francs sold at 9.37 1/2, and had little more than a quarter of a cent to go to reach half par. They have since fallen back somewhat, but I see no reason why they should not continue to advance, if France makes progress towards balancing her budget. They are not lower now than our Civil War greenbacks were at one time, and complete restoration does not appear impossible, though it may take a considerable number of years.

I am not going to undertake to estimate how great an unfunded balance may still be due to the merchants, bankers and corporations of America. They had a severe lesson in 1920 and have since then preferred a diminishing business for which payment was reasonably sure in dollars. It appears at any rate clear that they have for many months been collecting or funding in some way, or charging off debts due them. I believe that investments in real estate in Europe and in the shares of European enterprises have been a very large offsetting factor. Prof. Williams states in the May number of the Quarterly Journal of Economics that foreign investments in Germany since the Armistice have been estimated at nearly \$250,000,000, and

it is well known that Americans have been large investors not only in German property, but in Poland, in Italy and in the states which formerly made up the Austrian empire. This item of foreign investment, with the wide-spread speculative purchases of foreign currencies might easily have amounted to a billion dollars.

The debts of individuals in Europe to individuals and corporations in America, at any rate can not at present, I believe, be so large as to present any insuperable bar either to the restoration of the exchanges that seem within reach of restoration or to the stabilization of exchange with countries where inflation of paper currencies has reached a point beyond the possibility of restoration. Fluctuation of exchange, due to inflation, is annoying and introduces a very undesirable element of speculation in foreign trade. An irredeemable paper currency even if not constantly expanded is subject to changes of value from political and other causes not related to trade balances or international debts. Our Civil War greenbacks went up or down in value in accordance with the fortunes of the Union armies, and later with relation to policies under discussion in Congress. The depreciation of some European exchanges has undoubtedly been increased by the instability of some governments or by socialistic policies. Confidence, as Secretary Hughes has well said, must precede credit. Given good government and balanced budgets something could doubtless be done in the direction of stabilizing exchanges between countries having an irredeemable paper currency and countries on a gold basis. It would

probably be in the nature of recognition for fixed periods, or in some cases permanently, of new pars around which fluctuations could be controlled within something approaching normal limits. No outside or international attempts at "stabilization", however, could perform miracles or take the place of the necessary internal conditions and efforts in each country. Stabilization of exchanges between the United States and the neutral countries, whose currencies are not greatly depreciated, such as Holland and the Scandinavian countries, seems within reach on the former gold par bases, and foreign trade would doubtless be benefited by such control of fluctuation as might be instituted in other cases, but so long as our own currency is sound and our prices attractive and so long as the pound sterling continues to maintain itself at a point so near par, with francs and lira showing progress, it can hardly be said that the continuance or recovery of our foreign trade are really dependent upon any such stabilizing measures.

REMARKS MADE BY A. C. MILLER
IN THE COURSE OF A DISCUSSION ON
FEDERAL RESERVE CREDIT POLICY
at the
JOINT CONFERENCE OF THE CHAIRMEN AND GOVERNORS
of the
FEDERAL RESERVE BANKS
HELD IN WASHINGTON, D. C.
October 25-28, 1921.

X-3400.

There are one or two words, Governor, which I think I might say. I have been very much impressed by what the Comptroller has said. I think all of us must be very much impressed with the clearer appreciation of our problems which this discussion of rate policy has evidenced. In that regard it surpasses any preceding conference. I was particularly delighted at the frank avowal of Mr. Strong that the British discount principle of always maintaining reserve bank rates above going market rates was not applicable to American conditions. The whole tenor of the discussion here this morning indicates above all that there is increasing appreciation on the part of the managers of the Federal Reserve System that the Federal Reserve Banks are partners in American industry and enterprise and that the touchstone of the successful operation of the Federal Reserve Banks is to be found in what those banks do to assist the production and distribution of goods. They, therefore, function best when they help to promote and maintain a good state of industry and, as an essential to that, a healthy condition of mind on the part of the business and producing community.

I am sure that we would err egregiously in the administration of the Federal Reserve Banks if we overlooked the fact that the Federal Reserve System in our country occupies a much more intimate relationship to industry than the Bank of England does, for instance, to business and industry in that country. Our judgments

are of very much more concern and are of very much more effect in their economic incidence than the judgments of any other reserve institution anywhere in the world. A good deal has been said in the discussions yesterday and this morning concerning the principles governing discount rates. Let me say frankly that I am very skeptical of the value of so-called principles in a matter that is so much a matter of judgment based as it must be upon conditions and circumstances. I, myself, would, therefore, be very hesitant in laying down a principle in the matter of discount policy. I may, however, say in contradistinction to the oft repeated statement that Reserve Bank rates should be above market rates that I believe our constant study should be not to see how high we can maintain rates but how low we can safely go in establishing rates without inviting dangers of unhealthful developments in business and industry. This is not inflationist doctrine; this is the economic view.

The cost of credit is an element of cost of production. Providing business and credit are in a healthy condition, there is no reason for the Reserve Banks doing anything that adds to the costs of credit. When industry discloses tendencies toward speculative expansion, then is the time to add to the cost of credit. I believe that it is the part of wisdom to recognize that in the formulation of a discount policy and in the adjustment of discount rates we should seek just as earnestly to avoid deflation as we

- 3 -

should to avoid inflation. By inflation I mean an expansion of credit that eventuates in a rise of general prices. By deflation I mean a restraint of credit that eventuates in a fall of prices. Good economic and credit policy will endeavor to steer a middle course between these two dangerous shoals.

A year of fifteen months ago the business and industry of the country began their descent from the apex of speculative expansion into the trough of depression by way of the most violent reaction of prices that we have ever experienced in this country. Now, where are we at the present time? We are still in the trough of depression, but we are beginning to see here and there little symptoms of animation and recovery. It would not surprise me to see a condition of monetary ease develop in the United States where commercial rates would go as low as $4\frac{1}{2}$ per cent. I mean market rates, not discount rates at the Reserve Banks. I hope no condition of extreme ease comes to pass. We have, however, in former periods of extreme business depression seen a great accumulation of idle funds at the great centers, so great that no rate could be made low enough to induce borrowing, because the outlook for the profitable use of borrowed funds was too unpromising. That was true after the crisis of 1873, again after 1893, and it may prove true in

1921 or 1922, though I believe and I certainly hope that before long there will be a business revival of healthy character and considerable proportions such as will make a demand for credit and keep rates from sliding simply because nobody wants to borrow.

I think the probability is that for a good many years to come, certainly I believe for five years and possibly it may be for a period as long as ten years, we shall have to deal with very rapidly shifting scenes in the business world. I look for very frequent alternations of periods of short lived and feverish activity in business and industry followed by periods of acute, short-lived depression. In other words, industry will have to travel an uneven sea. Such has usually been the case after all great economic crises induced by great wars. That was true after the Napoleonic war, which supplies the nearest analogy to the present situation. It was also true after 1873 when readjustment followed a badly disturbed course lasting at least five years, and on no one of these occasions was the whole structure of industry and commerce of the leading producing countries so badly dislocated as at the present time.

We have got to be prepared, therefore, to deal with conditions and circumstances as they develop and not according to

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fixed principles. This means that we must always strive to maintain in the Federal Reserve System great flexibility of mind. Our principal pre-occupation, I repeat, should be to deal with conditions and circumstances rather than with principles. We have got to do just what a wise physician does, when he at times hesitates to give a patient a small dose of some powerful medicine and at other times does not hesitate to give him a very heavy dose. We have got to base our judgments and bottom our policies upon facts rather than upon preconceptions.

Now, at the moment, what is the outstanding fact in the industrial situation? It is that industry is still pretty far down in the trough of depression. What does this suggest as to a proper rate policy adjusted to circumstances? I am of the opinion that at the present time no rate at a Federal Reserve Bank could be made so low that it would induce borrowing for the sake of what would be called illegitimate uses. Banks do not borrow from the Federal Reserve Bank for fun or simply because money is cheap. Nor do merchants and manufacturers borrow from their banks simply because money is cheap. You can lead a horse to water but you cannot make him drink. When he will not drink you cannot regulate the amount of his drink, but when he wants to drink you can regulate the amount he may drink by regulating the amount in the trough. And so it is pretty much with

respect to the relation of money rates at Federal Reserve Banks. It is when things are on the upward move that the Federal Reserve Bank can become a very real influence in restraining what in its judgment is an unhealthful and undesirable tendency, by advancing its rates. It can, in other words, through a wise and timely application of increased rates do much to restrain, if not altogether to prevent inflation. At the present time, however, there are no undesirable tendencies of this kind in the business situation. Business is sick and it needs whatever modicum of comfort and support it can get from a cheapening of the cost of credit.

There has been some discussion here of the influence actually exerted by Reserve Banks' rates upon the rates charged customers of member banks. There is some difference of opinion as to how extensive is the influence exerted by changes of Reserve Bank rates. I think it is a fair reading of the mind of the conference to say that in one way or another the actual cost of credit to borrowers at this time is influenced by Reserve Bank rates to a sufficient degree to make it necessary for us to recognize the bearing that Reserve Bank rate changes have in the immediate economic and industrial situation. We have got to recognize the fact that when business is being done as it is at the present time on very narrow margins, an addition or subtraction of 1/2 or 1 per cent in the cost of borrowed funds is a matter of a great deal of moment. A reduction of Reserve

Bank rates in such circumstances may have a considerable effect in quickening the pace of industry and in accelerating its revival. On the other hand, I think it not at all unreasonable to anticipate that within a period of a year, or even possibly six months, we may have a spurt of activity in certain portions of the country at least that will make it very desirable to take a firmer grip on the reins. We may even see speculative and inflationist tendencies develop to a point where it will be advisable to press on the curb. That is not, however, the situation at the moment. The runaway horse has been brought to a standstill, let us relax our grip, giving him a little rein, if we think by doing so he will show some disposition to move along.

I am disturbed but not surprised by what the Comptroller has reported of a recent conversation with a gentleman whom he regards as a competent interpreter of public and congressional opinion. I have recalled a great many times to myself in connection with the perils through which the Federal Reserve System has been passing in recent months, what it was that really brought the Second Bank of the United States to the brink of dissolution. Aside from the mass of rather secondary political and factional charges, it was the great expansion of credit supported by that institution in the year 1832 followed by the violent contraction of credit in the winter of 1833-4. This begot in the minds of people, not all of whom were sympathetic with Andrew Jackson in his attack against the Bank, the conviction that

the Bank had too much power, that it was an arbiter of economic destiny, that it could make or mar the prosperity of the country by assuming a liberal or illiberal attitude in the matter of credits. I think there are symptoms that not a few people in the United States at the present time are of a similar opinion with reference to the Federal Reserve System. I think the influence of the Federal Reserve System is in danger of being over-emphasized both by its enemies and by its friends. It is important, therefore, that our policies should be carefully and quickly adjusted to the trend of conditions in order to minimize the baneful effect of either exaggerated criticisms or unwarranted expectations. The people are in a certain sense partners - sometimes silent, sometimes active - in the Federal Reserve System, and what they think or what they believe, what they hope or what they fear is a factor not to be overlooked by us.

I have stated a good many times in Federal Reserve discussions that in my judgment the word contraction had no place in the vocabulary of Federal Reserve banking. Nothing is surer than that the American people will never stand contraction if they know that it can be helped. Least of all will they stand contraction if they think it is contraction at the instance, or with the consent of an institution like the Federal Reserve System, set up under public statute and public in its responsibility and character. I am glad, therefore, that the Comptroller has brought into this discussion the fact that the people are partners with us. But let me add by way of caution that I do not mean by this that we must let

"politics" into the Federal Reserve System.

There is a great difference between "politics" and public opinion. The less we have of "politics" in the Federal Reserve System the better for the Reserve Banks and for the people. In the long run, however, the Federal Reserve System will not succeed and in my judgment will have no right to think it is succeeding unless it has the substantial approval of average public opinion; - and for this reason principally; that public sentiment and public opinion in economic and financial matters in our country reflect the experiences, the conditions and the difficulties the producing elements of the population are going through. The thought on public matters of an economic character of the average American is formed by his daily experiences as a bread winner more than by any other single factor or circumstance of his life. We cannot ignore the fact that the Federal Reserve Banks are a factor in industry, in agriculture, and in commerce. Still less can we ignore the fact that this is believed and understood by the average man. We cannot ignore the fact that states of trade and industry are very largely influenced by states of mind. Least of all can we ignore the fact that at certain times the policies, particularly the discount policy, of the Federal Reserve Banks can influence and induce states of mind. Timeliness of action is of the essence of successful Federal Reserve action. Right action, above all, means timely action. Herein I think the Federal Reserve System has need of improvement. I want to do all that I can to emphasize what the Governor said in his opening remarks, if I got his meaning, - that our action

in the matter of discount changes has frequently been too slow. As I would put it, we have too frequently followed where we should lead. Action on the part of a Federal Reserve Bank is valuable in just the degree in which it correctly anticipates either an upward or downward swing in the movement of business and credit. It is a dangerous proceeding to wait till you are on a downgrade and then jam the brake on suddenly. Begin to set your brakes when you see what is going to happen. No Reserve Bank can develop a successful discount policy except on the basis of foresight. I repeat, we should lead. We should lead upwards in the matter of rates and we should lead upwards to prevent or mitigate inflation; we should lead downwards to prevent liquidation from becoming a straight-jacket of deflation. We should not hesitate for a moment to reduce rates when we believe that conditions are weakening, liquidation proceeding, and business slackening, just as we should not hesitate when we see that business is swelling unhealthily and its momentum is being accelerated by unhealthy market conditions, to anticipate and by anticipating to prevent their consummation in disaster by applying the brakes soon enough to prevent that extreme being reached. The Reserve System cannot "make" the business situation but it can do an immense deal to make its extremes less pronounced and violent.

It has been very interesting to me, as one who has devoted most of his time to the study of economics and economic history to note with what unerring certainty what are called business cycles recur. I have often wondered how long it would take the business man and the banker to appreciate the bearing of the business cycle upon him. It has long been recognized by economists that modern business moves through cycles; that one extreme of the cycle is the phase of violent speculation giving rise to extreme business tension and collapse of prices, that the other extreme is the trough of depression, such as we are in at the present time. If I were to make one general observation, call it a principle, if you prefer - that makes it sound a little more impressive - it would be that the discount policy of the Federal Reserve Banks should always address itself to the phase of the business cycle through which the country happens to be passing. In the degree in which it is successful in correctly interpreting the trend of affairs and anticipating the approach of the next phase of the business cycle and translating this into its equivalent in terms of discount policy, the Reserve System will be a great and useful institution - in brief, a success.

I see the Federal Reserve Banks in their larger economic relations as moderators. It is the business of a Federal Reserve Bank to moderate the pace of business when business is very good, because experience has demonstrated over and over again that when everybody thinks and feels that business is very good, it is seldom as good as thought. On the other hand, it is the business of the Federal Reserve

Banks to moderate the retreat of business when business is getting bad, because experience has demonstrated time and again that business need never get as bad as it will if it is allowed to go its downward course unassisted. If I correctly interpret the temper of this conference, much has been said that is extremely reassuring that we are looking in the right direction in the Federal Reserve System. I believe we understand our opportunities and our responsibilities. Above all should we understand that we must ourselves develop independently out of our own experience a discount policy suited to American conditions. We must recognize that the conditions which obtain in the United States are different from those which obtain anywhere else in the world; different from those which obtain in an old and conservative bank center like England or in a new and untamed country like, let us say, Argentina. We in the United States need to take an economic view of the discount function of the Federal Reserve Bank and we need to do it in a large and comprehending sense. We need to do it in the spirit of the Federal Reserve Act itself. It is well to recall the words of that Act (I have often wondered who was responsible for their authorship). They occur in Section 14, where, in describing the powers of the Reserve Banks and Reserve Board with respect to rates it says rates shall be fixed "with a view of accommodating commerce and business".

What does "Accommodating commerce and business" mean? I will not undertake to explain what I understand these words to mean further than has already been suggested in what I have said. I will, however, add that to understand what "accommodating" commerce and business is we have to understand what commerce and business require. By way of

illustration I will add that you do not accommodate commerce and business by high rates when four million men are out of employment and business is sick for lack of markets and markets are lacking because the world is more or less in commercial chaos. On the other hand, you are not accommodating commerce and business in an economic sense and in that large public sense which should control the decisions of the Federal Reserve System when you allow a rate to drag on at an artificially low level at a time when business is speeding on the upgrade so rapidly that it can only be a question of time when it will take a headlong plunge into a sea of depression which will involve the whole community. That was the situation after 1919.

Speaking specifically about the rate schedule suggested by the Governor this morning, I want to call attention to one fact. For my personal information I have had a percentage computed for the Federal Reserve System which shows what the reserve percentage would be if the System were still operating on the same gold reserve as a year ago. In other words, so as to show the degree of improvement in the reserve position of the System due to liquidation of the loan account. What does this computation show? If we compute the percentage on the basis of what it would be had there been no increase in gold holdings and the reserve position consequently had been affected only by the diminution of the loan account, the System would show a reserve percentage today of approximately 52 per cent as against 70. In other words by far the greatest part of the improvement of the reserve position of the System has come not from liquidation of the loan account but from importation of gold. This is particularly true of the

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Reserve Bank of New York. That Bank shows a reserve percentage of 83. On the basis of the liquidation of the loan account alone, its reserve percentage would be computed at something like 46 or 47 per cent. A computation of this kind made for each one of the twelve Reserve Banks will show which banks have in the vernacular of banking improved their reserve position by "cleaning up" and which appear to be strong largely because of heavy additions to their gold holdings. I would be inclined to suggest in connection with the Governor's proposal, the consideration of this thought: that in making a general revision of Reserve Bank rates, those banks, I think they are four or five in number, that show the greatest amount of cleaning up during the past year, that show the greatest improvement in their reserve position through liquidation rather than through increased gold holdings, should be the leaders in any downward revision of rates.

While on the subject of reserve ratios let me express my opinion in passing, in answer to a question asked in yesterday's conference, that I regard the reserve percentage of the Federal Reserve Banks at the present time as a pretty worthless indicator of discount policy. I regard it as almost worse than useless as a guide to changes in discount rates. It is utterly misleading and will be until some considerable number of leading commercial countries are operating upon something like a gold basis. I think we are likely to experience a good deal of embarrassment over the Reserve Banks showing a high reserve ratio simply because they are the dumping ground of the world's gold. This will occur when we get up against a situation where it will be good banking and economic policy to undertake to control the expansion of

credit by a rise of rates. Sooner or later, and I think sooner rather than later, we shall find ourselves confronted with just such a situation, a situation which unless controlled will develop into a secondary inflation and culminate in a secondary crisis. Unless we are forehanded and resolute enough to apply rate pressure before business and credit expansion gets too much headway, and this quite irrespective of how high our reserves may happen to be, there will be trouble.

With regard to the matter of gold policy touched on in the discussions this morning, I may say that I do not feel very much enthusiasm for the suggestion that gold or gold certificates shall be put into circulation to an amount of a hundred or perhaps only fifty millions. If we are going to restore gold to circulation, let's do it boldly, not hesitatingly. The Federal Reserve System has reached a position, I think, where when it moves it should move on strategic lines, not on merely tactical lines. With respect to gold, as with respect to discount rates, let us take a big and broad position and not maneuver timidly. It is my belief and certainly my hope that the gold which we have received in unprecedented volume in the last year we hold essentially as economic trustees. The proper use to make of this gold is to put it into circulation in this country. The best use we can make of it is, when the situation is right for such intervention, to use it to help the restoration of the currency in Europe and the restoration of the gold standard, there in at least some qualified form. We shall ultimately have to take a very positive part in the financial and economic reconstruction of Europe. Part of our assistance will, I

believe, take the form, through specified gold loans, of sending some of the gold which we have received during the current year in such huge amounts, back to Europe to be used in effecting currency reorganizations there. The movement of gold into the United States in 1921 is absolutely without parallel or precedent. The countries which have sent us this gold have sent it not because they are rich, not because they can afford to dispense with it in their currency and credit organization, but because a crisis has been reached in their financial relations with us as a result of which an increasing proportion of business has got to be conducted on a cash basis. Practically one-third, perhaps more, of the excess of the exports we have sent to Europe during the current year have been paid for with gold. This is a very serious situation. Cash payments seriously restrict business. Nor can trade go on in considerable volume if the existing rapidly and violently fluctuating exchanges do not find correction. But there can be no correction except as some gold is put into the foundations of the currency structures of the now distressed countries of Europe.

My view has long been that the function of the Federal Reserve System is to continue to hold this gold in its vaults where it now is mobilized and whence it can be readily mobilized for use elsewhere when the moment arrives, and not to demobilize it. I should be very sorry to see the Reserve System pursue a policy which indicated lack of comprehension of the situation in Europe, lack of appreciation of our relation to it, lack of appreciation of the obligation which we must sooner or later assume, lack of appreciation of the stark fact that we

are going to assume that obligation whether we now intend to or not. I repeat we are going to do it because we must in our own interest as well as in the interest of Europe. The proposal, therefore, to take this gold out of the vaults of the Reserve Banks and to dissipate it by putting it into circulation to my mind means either that we lack confidence in our ability to restrain an expansion of credit when we show a high reserve (should such restraint become desirable) or because we are proceeding as theorists in the matter of our gold policy and slavishly adopting the principle that there can be no gold standard in a country unless it is buttressed by a considerable dispersion of gold in the pockets of the people.

It is my opinion that there will be no gold standard in any useful sense for us unless there is at least a qualified restoration of the gold standard in the countries of Europe. So long as gold moves as it now does, not as a normal instrumentality of commerce but as the instrumentality of the pawnbroker, there is going to be no gold standard in a regulatory sense.

While it does not pertain to the present discussion, I am, nevertheless, tempted to indulge myself in this connection to express the thought that the Federal Reserve Conference having clarified the atmosphere with regard to credit conditions and discount policies, could not devote its thought more usefully than to investigate and study what there is that we can usefully do to help the restoration of a better currency and exchange condition in Europe and to devise some plan for intervention when the moment is ripe for intervention. I am inclined

to think that the time is not far off when something can and should be done. If a general clarification and improvement of the general international situation follows the conference to be held in this city next month, if something is done to alter the practices and policies which have given rise to the need or the supposed need of extravagant expenditures for armaments, and furthermore if something is done to show the mischievous and obstructive effect of economic and financial barriers between countries, the time will be near when something can be undertaken to initiate a constructive program of currency and exchange restoration. As the strongest nation in the world and as the custodian of the greatest gold hoard that has ever been massed in any single control in the history of Christendom, the obligation to blaze the way - to do the thinking - to do the planning, rests with the group of men who are assembled in this room.

X-3401

TREASURY DEPARTMENT
Office of the Secretary
WASHINGTON

May 6, 1922.

The Governor

Federal Reserve Board.

Sir:

You are hereby advised that the Department has referred to the General Accounting Office, Treasury Department Division, for settlement the account of the Bureau of Engraving and Printing for preparing Federal Reserve notes during the period April 1 to April 30, 1922, amounting to \$77,196.06, as follows:-

Federal Reserve Notes, 1914

	<u>\$5</u>	<u>\$10</u>	<u>\$20</u>	<u>\$50</u>	<u>\$100</u>	<u>Total</u>
New York.....	141,000	11,000	128,000	13,000	2,000	295,000
Philadelphia..	100,000	87,000	33,000	6,000	---	226,000
Cleveland....	145,000	41,000	61,000	---	---	247,000
Richmond.....	37,000	7,000	12,000	---	---	56,000
Atlanta	71,000	44,000	11,000	---	---	126,000
Chicago.....	23,000	19,000	---	---	---	42,000
St. Louis.....	---	---	4,000	---	---	4,000
Minneapolis	64,000	51,000	10,000	---	---	125,000
Kansas City..	129,000	20,000	11,000	---	4,000	164,000
Dallas	10,000	1,000	---	---	---	11,000
San Francisco	203,000	40,000	18,000	---	---	261,000
	<u>923,000</u>	<u>321,000</u>	<u>288,000</u>	<u>19,000</u>	<u>6,000</u>	<u>1,557,000</u>

1,557,000 sheets at \$49.58 per M \$77,196.06

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The charges against the several Federal Reserve Banks are as follows:

	<u>Sheets</u>	<u>Compen- sation</u>	<u>Plate Printing</u>	<u>Materials</u>	<u>Inc.Com- pensation</u>	<u>Total</u>
New York.....	295,000	4,911.75	4,711.15	3,601.95	1,401.25	14,626.10
Philadelphia..	226,000	3,762.90	3,609.22	2,759.46	1,073.50	11,205.08
Cleveland.....	247,000	4,112.55	3,944.59	3,015.87	1,173.25	12,246.26
Richmond.....	56,000	932.40	894.32	683.76	266.00	2,776.48
Atlanta.....	126,000	2,097.90	2,012.22	1,538.46	598.50	6,247.08
Chicago.....	42,000	699.30	670.74	512.82	199.50	2,082.36
St. Louis....	4,000	66.60	63.88	48.84	19.00	198.32
Minneapolis..	125,000	2,081.25	1,996.25	1,526.25	593.75	6,197.50
Kansas City..	164,000	2,730.60	2,619.08	2,002.44	779.00	8,131.12
Dallas.....	11,000	183.15	175.67	134.31	52.25	545.38
San Francisco	261,000	4,345.65	4,168.17	3,186.81	1,239.75	12,940.38
	<u>1,557,000</u>	<u>25,924.05</u>	<u>24,865.29</u>	<u>19,010.97</u>	<u>7,395.75</u>	<u>77,196.06</u>

The Bureau appropriations will be reimbursed in the above amount from the indefinite appropriation "Preparation and Issue of Federal Reserve Notes, Reimbursable", and it is requested that your board cause such indefinite appropriation to be reimbursed in like amount.

Respectfully,

Wm.S Broughton,
Commissioner.

TREASURY DEPARTMENT
Office of the Secretary
Washington

X-3401a

May 6, 1922.

The Governor
Federal Reserve Board.

Sir:

You are hereby advised that the Department has referred to the General Accounting Office, Treasury Department Division, for settlement the account of the Bureau of Engraving and Printing for preparing Federal Reserve notes during the period April 1 to April 30, 1922, amounting to \$69.41, as follows,-

Federal Reserve Notes, 1918

	<u>\$500</u>	<u>\$1000</u>	<u>Total</u>
Kansas City	900	500	1,400
1400 sheets at \$49.58 per M			\$69.41

The charges against the Federal Reserve Bank of Kansas City are as follows,-

<u>Sheets</u>	<u>Compen- sation</u>	<u>Plate Printing</u>	<u>Materials</u>	<u>Inc. Com- pensation</u>	<u>Total</u>
1,400	\$23.31	\$22.36	\$17.09	\$6.65	\$69.41

The Bureau appropriations will be reimbursed in the above amount from the indefinite appropriation "Preparation and Issue of Federal Reserve Notes, Reimbursable", and it is requested that your board cause such indefinite appropriation to be reimbursed in like amount.

Respectfully,

Wm.S.Broughton,
Commissioner.

FEDERAL RESERVE BOARD
GOLD SETTLEMENT FUND

X-3402
Washington, D. C.
May 12, 1922.

Summary of transactions for period ending May 11, 1922.

(CONFIDENTIAL)

Federal Reserve Bank of	Balance last statement May 4, 1922.	Gold Withdrawals	Gold Deposits	Aggregate withdrawals and transfers to Agent's fund	Aggregate deposits and transfers from Agent's fund	TRANSFERS	
						Debits	Credits
Boston	\$ 21,913,295.35	\$ 663,535.00	\$ -	\$ 663,535.00	\$ -	\$ -	\$ -
New York	77,724,740.06	1,324,495.00	51,100.00	1,324,495.00	51,100.00	4,000,000.00	-
Philadelphia	57,055,544.85	887,450.00	3,067,700.00	887,450.00	3,067,700.00	-	-
Cleveland	43,944,083.89	1,669,847.52	1,000,000.00	1,669,847.52	1,000,000.00	-	1,000,000.00
Richmond	33,641,794.32	1,237,980.00	3,000,000.00	1,237,980.00	3,000,000.00	-	-
Atlanta	25,374,917.59	800,900.00	-	800,900.00	-	-	1,000,000.00
Chicago	64,919,022.38	691,450.00	1,000,800.00	691,450.00	1,000,800.00	-	2,000,000.00
St. Louis	9,543,346.64	720,800.00	4,002,100.00	720,800.00	4,002,100.00	-	-
Minneapolis	29,328,514.35	378,912.35	-	378,912.35	-	-	-
Kansas City	33,057,067.18	1,288,430.00	2,001,000.00	3,288,430.00	2,001,000.00	-	-
Dallas	11,160,808.67	1,198,650.00	2,000,000.00	1,198,650.00	2,000,000.00	-	-
San Francisco	33,419,686.10	855,400.00	7,505,500.00	8,855,400.00	8,389,000.00	-	-
Total	\$ 441,082,821.38	\$ 11,717,849.87	\$ 23,628,200.00	\$ 21,717,849.87	\$ 24,511,700.00	\$ 4,000,000.00	\$ 4,000,000.00

Federal Reserve Bank of	Settlements from May 5, 1922 to May 11, 1922 inclusive.				Balance in fund at close of business May 11, 1922.	Summary of changes in ownership of gold by banks through transfers and settlements.	
	Net Debits	Total Debits	Total Credits	Net Credits		Decrease	Increase
Boston	\$ 1,126,052.60	\$ 96,270,857.66	\$ 95,144,805.06	\$ -	\$ 20,123,707.75	\$ 1,126,052.60	\$ -
New York	-	356,316,623.20	399,555,445.71	43,238,822.51	115,690,167.57	-	39,238,822.51
Philadelphia	4,988,415.58	120,016,734.11	115,028,318.53	-	54,247,379.27	4,988,415.58	-
Cleveland	9,608,871.29	95,391,380.47	85,782,509.18	-	34,665,365.08	8,608,871.29	-
Richmond	-	85,378,392.05	87,677,955.52	2,299,563.47	37,703,377.79	-	2,299,563.47
Atlanta	-	39,946,619.02	39,980,853.62	34,234.60	25,608,252.19	-	1,034,234.60
Chicago	6,876,255.57	202,873,282.52	195,997,026.95	-	60,352,116.81	4,876,255.57	-
St. Louis	7,862,901.53	104,081,982.92	96,219,081.39	-	4,961,745.11	7,862,901.53	-
Minneapolis	3,450,364.61	29,520,140.94	26,069,776.33	-	25,499,237.39	3,450,364.61	-
Kansas City	7,252,058.55	77,664,164.00	70,412,105.45	-	24,517,578.63	7,252,058.55	-
Dallas	1,151,130.22	38,811,758.42	37,660,628.20	-	10,811,028.45	1,151,130.22	-
San Francisco	3,256,570.63	52,328,283.84	49,071,713.21	-	29,696,715.47	3,256,570.63	-
Total	\$ 45,572,620.58	\$ 1,298,600,219.15	\$ 1,298,600,219.15	\$ 45,572,620.58	\$ 443,876,671.51	\$ 42,572,620.58	\$ 42,572,620.58

FEDERAL RESERVE AGENTS' FUND

X-3402a
Washington, D. C.
May 12, 1922.

Summary of transactions for period ending May 11, 1922.

(CONFIDENTIAL)

Federal Reserve Agent at	Balance last statement May 4, 1922.	Gold Withdrawals	Gold Deposits	Withdrawals for transfers to bank	Deposits through transfers from bank	Total Withdrawals	Total Deposits	Balance at close of business May 11, 1922.
Boston	\$ 123,000,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 123,000,000
New York	401,000,000	-	-	-	-	-	-	401,000,000
Philadelphia	149,389,260	-	-	-	-	-	-	149,389,260
Cleveland	165,000,000	-	-	-	-	-	-	165,000,000
Richmond	39,795,000	-	4,000,000	-	-	-	4,000,000	43,795,000
Atlanta	91,000,000	-	1,500,000	-	-	-	1,500,000	92,500,000
Chicago	342,644,500	5,000,000	-	-	-	5,000,000	-	337,644,500
St. Louis	60,800,000	2,000,000	1,500,000	-	-	2,000,000	1,500,000	60,300,000
Minneapolis	16,000,000	-	-	-	-	-	-	16,000,000
Kansas City	42,360,000	2,000,000	1,000,000	-	2,000,000	2,000,000	3,000,000	43,360,000
Dallas	10,000,000	-	-	-	-	-	-	10,000,000
San Francisco	195,592,500	-	-	883,500	8,000,000	883,500	8,000,000	202,709,000
Total	\$ 1,636,581,260	\$ 9,000,000	\$ 8,000,000	\$ 883,500	\$ 10,000,000	\$ 9,883,500	\$ 18,000,000	\$ 1,644,697,760

1586

FEDERAL RESERVE BOARD
WASHINGTON

X-3403

May 12, 1922.

Dear Sir:

You are advised that that division of the Board's organization known as the "Division of Reports and Statistics" will hereafter be known as the "Division of Bank Operations".

Very truly yours,

Walter L. Eddy,
Assistant Secretary.

TO THE GOVERNORS OF ALL F. R. BANKS
(COPIES TO THE F. R. AGENTS)

FEDERAL RESERVE BOARD

WASHINGTON

X-3404
May 16, 1922.

SUBJECT: Senate Bill No. 3531.

Dear Sir:

For your information there is enclosed herewith a copy of Senate Bill No. 3531 and a copy of the Board's letter to the Chairman of the Senate Committee on Banking and Currency, setting forth its views with respect to the proposed legislation.

Very truly yours,

V i c e G o v e r n o r .

(Enclosures)

TO THE FEDERAL RESERVE AGENTS OF ALL THE BANKS

COPY TO GOVERNORS.

COPY

X-3404a

May 4, 1922.

Honorable George P. McLean,
Chairman, Banking & Currency Committee,
United States Senate.

My dear Mr. Chairman:

Receipt is acknowledged of your letter of May 2, 1922, in which you request the views of the Federal Reserve Board with regard to Senate Bill 3531. The bill, if enacted, would amend Section 9 of the Federal Reserve Act so as to make eligible for membership in the Federal Reserve System State banks having a capital of not less than 60% of the amount required under the terms of the present law, provided, that 20% of the net income of a bank admitted to membership under the authority of this amendment shall be set aside annually in a fund from which the capital of the bank shall be increased from time to time until its capital amounts to not less than that now required by the law.

At the time your letter was received a conference of the Governors of the Federal Reserve Banks was in session, and I laid your letter and S. 3531 before that conference. After some discussion of the proposed legislation a vote was taken, the result of which indicated that 8 of the 11 Governors then present favored the enactment of the bill.

The Federal Reserve Board has also considered the proposed legislation and by a majority vote has instructed me to write you expressing its approval of S. 3531.

The effect of the enactment of the bill would be to make eligible for membership in the Federal Reserve System a large number of State banks, with a capital of \$15,000 to \$20,000, which are not eligible at the present time because Section 9 of the Federal Reserve Act now requires that every State bank applying for membership shall have a capital sufficient to entitle it to become a national bank in the place where it is located, and the minimum capital required of national banks is \$25,000. The bill at the same time recognizes the principle embodied in the National Bank Act that every incorporated bank should have a capital of at least \$25,000, for under the proposed amendment every bank admitted to membership with a smaller capital would be required to set aside 20% of its net earnings until it possessed a capital equal to that amount.

- 2 -

There is no doubt that the banking machinery of this country would be made more effective and generally useful, if the sound and properly managed banks which still remain outside the Federal Reserve System were brought into it. This fact was pointed out, in the chapter entitled "Defects and Deficiencies of the Banking Machinery", in Part II of the recent report of the Joint Commission of Agricultural Inquiry, from which the following paragraph is taken:

"A further defect in the banking machinery of the country is found in the fact that about 20,000 of the independent banks of the country, representing from 35 to 40 per cent of the banking resources, are not members of the Federal Reserve System. These banks are without direct access to the general reservoir of credit, consequently must rely for the expansion necessary in times of stress or business expansion upon the accommodations which it is possible to secure from their correspondents. These banks contribute little to the general reserves of the country, as those reserves are now represented principally by deposits in the Federal Reserve Banks. Consequently, if they are permitted to borrow either directly or indirectly from the Federal Reserve Banks in times of stress or business expansion they must do so at the expense of the reserves contributed by the banks which are members of the Federal Reserve System."

The Board feels that the enactment of S-3531 would be a distinct step toward remedying this defect. As the great majority of banks with capital of less than \$25,000 are located in the agricultural sections of the country, and as a greater proportion of their loans represent advances to farmers than is the case with the larger institutions, there can be little doubt that the passage of S.3531 would be effective in making the benefits of the Federal Reserve System more generally available to small farmers.

Two members of the Board desire me to express their opposition to this proposed legislation upon the ground inter alia that it discriminates against national banks.

Respectfully,

(Signed) W. P. G. Harding

G o v e r n o r .

67th Congress, 2d Session.

IN THE SENATE OF THE UNITED STATES

April 20 (calendar day, May 1), 1922.

Mr. Harris introduced the following bill; which was read twice and referred to the Committee on Banking and Currency.

A BILL

To amend section 9 of the Federal Reserve Act.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That paragraph 9 of section 9 of the Federal Reserve Act as amended is amended to read as follows:

"No applying bank shall be admitted to membership in a Federal reserve bank unless (a) it possesses a paid-up, unimpaired capital sufficient to entitle it to become a national banking association in the place where it is situated under the provisions of the National Bank Act, or (b) it possesses a paid-up, unimpaired capital of at least 60 per centum of the amount sufficient to entitle it to become a national banking association in the place where it is situated under the provisions of the National Bank Act and, under such rules and regulations as the Federal Reserve Board may prescribe, it sets aside annually in a fund an amount not less than 20 per centum of its net income for the preceding year and it increases its capital from such fund from time to time until it possesses a paid-up, and unimpaired capital not less than the capital which would have been required if such bank had been admitted to membership under the provisions of subdivision (a) of this paragraph."

FEDERAL RESERVE BOARD

WASHINGTON

X-3405

May 15, 1922.

SUBJECT: Daylight Saving, Baltimore Branch.

Dear Sir:

You were advised by the Federal Reserve Board in its telegram of April 12, 1922, that the Baltimore Branch of the Federal Reserve Bank of Richmond would operate on the daylight saving plan during the period May 1 to August 31, both dates inclusive.

The Board is now advised by the Federal Reserve Bank of Richmond that its Baltimore Branch will operate on the daylight saving plan during the period May 1 to August 27. Standard time will, therefore, be in effect again in Baltimore on August 28.

Very truly yours,

Walter L. Eddy,
Assistant Secretary.

TO THE GOVERNORS OF ALL
FEDERAL RESERVE BANKS.

FEDERAL RESERVE BOARD

WASHINGTON

X-3406

May 15, 1922.

SUBJECT: Method of Receipting for Shipments of
Currency to Member Banks.

Dear Sir:

Until recently it was the practice of one of the Federal Reserve Banks when making shipments of currency to banks in its District to enclose therewith a stamped receipt card to be signed by the consignee bank and returned to the Federal Reserve Bank. The Post Office authorities objected to this practice on the ground that it gave undue publicity to the fact that considerable sums of money are being transmitted through the mails.

The matter was taken up with the Federal Reserve Bank in question which advised the Board that its practice now is to enclose with each shipment of currency a printed form of receipt and stamped envelope addressed to the proper department of the Federal Reserve Bank.

At the request of the Post Office Department this matter is being brought to the attention of all Federal Reserve Banks with a view of effecting discontinuance of the practice, wherever it may exist, of having banks to which currency is shipped acknowledge receipt of same by postcard.

Very truly yours,

Vice Governor.

TO THE GOVERNORS OF ALL FEDERAL RESERVE BANKS
EXCEPT CLEVELAND.

FEDERAL RESERVE BOARD

WASHINGTON

May 17, 1922.
X-3407.

SUBJECT: Form of Report and Manual for Distribution of Functional
Expense of Federal Reserve Banks.

Dear Sir:

The form of report covering functional expenses, together with the manual giving detailed instructions for distribution of the cost of various items to be included under each function and expense unit, which was prepared by a subcommittee of the Federal Reserve Board's Committee on Economy and Efficiency, and adopted by operating officials of the Federal Reserve Banks at the conference held in Chicago on April 24 and 25, has been approved by the Federal Reserve Board.

In accordance with the action taken at the conference, all Federal Reserve Banks should furnish the Board's Committee on Economy and Efficiency with monthly reports on forms included in Schedule E (this schedule is now in the hands of the printer, and the banks will be supplied with copies in the near future) covering operations of the Head Office and of each branch beginning with the month of July. Banks which find it possible to do so should also submit reports of operations covering the month of June. These reports should be addressed, Committee on Economy and Efficiency, Federal Reserve Board, Washington.

It should be understood that reports on the new forms do not in any way supersede the regular monthly expense reports on Form 96 and that the Banks will be expected to continue to submit monthly expense reports on that form, which should be made out in accordance with instructions regarding the preparation of reports of earnings and expenses of the Federal Reserve Banks issued by the Board under date of June 20, 1921.

Very truly yours,

Vice Governor.

Letter to all Chairmen
(Copies to Governors)

FEDERAL RESERVE BOARD

WASHINGTON

X-3408

May 18, 1922.

SUBJECT: Code words to be used in connection with
Transfers to Five Per Cent Redemption
Fund Accounts of National Banks.

Dear Sir:

With further reference to the Board's letter of May 8, 1922, (X-3398) describing a plan whereby funds deposited by national banks with Federal Reserve Banks and Branches for credit in the national banks' Five Per Cent Redemption Fund accounts will be covered into the Five Per Cent Redemption Fund against national bank note circulation on the books of the Treasurer U. S., as of the same day they are received by the Federal Reserve Banks and Branches, it will be noted that certain code words were adopted by the Board for use in connection with this new plan, to go into effect June 1, 1922.

It is now requested that the code words DURBAR and DUSKY, designated in that letter, be added to the bottom of page 80 of the new code book, to follow the code word DUPLICITY.

Yours very truly,

Walter L. Eddy,
Assistant Secretary.

TO THE GOVERNORS OF ALL
FEDERAL RESERVE BANKS.

FEDERAL RESERVE BOARD
GOLD SETTLEMENT FUND

X-3410
Washington, D. C.
May 19, 1922.

Summary of transactions for period ending May 18, 1922.

(CONFIDENTIAL)

Federal Reserve Bank of	Balance last statement May 11, 1922.	Gold Withdrawals	Gold Deposits	Aggregate withdrawals and transfers to Agent's fund	Aggregate deposits and transfers from Agent's fund	TRANSFERS	
						Debits	Credits
Boston	\$ 20,123,707.75	\$ 766,859.00	\$ 2,000.00	\$ 766,859.00	\$ 2,000.00	\$ 1,000,000.00	\$ -
New York	115,690,167.57	1,445,295.00	2,025,000.00	1,445,295.00	2,025,000.00	13,500,000.00	3,000,000.00
Philadelphia	54,247,379.27	946,600.00	50.00	946,600.00	50.00	-	2,000,000.00
Cleveland	34,665,365.08	1,293,617.50	3,000,000.00	1,293,617.50	18,000,000.00	-	-
Richmond	37,703,377.79	1,131,450.00	1,000,000.00	1,131,450.00	1,000,000.00	-	1,000,000.00
Atlanta	25,608,252.19	730,600.00	1,000,650.00	730,600.00	1,000,650.00	-	-
Chicago	60,352,116.81	966,892.96	4,000,000.00	966,892.96	4,000,000.00	-	-
St. Louis	4,961,745.11	883,000.00	2,054,300.00	883,000.00	6,054,300.00	1,000,000.00	-
Minneapolis	25,499,237.39	337,180.00	1,300.00	337,180.00	1,300.00	1,000,000.00	-
Kansas City	24,517,578.63	1,110,500.00	2,500,700.00	1,110,500.00	2,500,700.00	-	10,500,000.00
Dallas	10,811,028.45	857,300.00	1,000,300.00	857,300.00	1,000,300.00	-	-
San Francisco	29,696,715.47	1,055,930.00	4,000,400.00	1,055,930.00	14,455,900.00	-	-
Total	\$ 443,876,671.51	\$ 11,525,224.46	\$ 20,584,700.00	\$ 11,525,224.46	\$ 50,040,200.00	\$ 16,500,000.00	\$ 16,500,000.00

Federal Reserve Bank of	Settlements from May 12, 1922 to May 18, 1922 inclusive.				Balance in fund at close of business May 18, 1922.	Summary of changes in ownership of gold by banks through transfers and settlements.	
	Net Debits	Total Debits	Total Credits	Net Credits		Decrease	Increase
Boston	\$ -	\$ 115,075,958.15	\$ 119,014,586.28	\$ 3,938,628.13	\$ 22,297,476.88	\$ -	\$ 2,938,628.13
New York	-	413,385,567.43	435,070,031.14	21,684,463.71	127,454,336.28	-	11,184,463.71
Philadelphia	11,142,810.15	140,749,478.53	129,606,668.38	-	44,158,019.12	9,142,810.15	-
Cleveland	3,195,116.67	115,006,303.32	111,811,186.65	-	48,176,630.91	3,195,116.67	-
Richmond	-	89,940,835.82	93,451,194.59	3,510,358.77	42,082,286.56	-	4,510,358.77
Atlanta	-	43,704,372.60	45,282,606.59	1,578,233.99	27,456,536.18	-	1,578,233.99
Chicago	-	233,118,307.20	234,310,318.60	1,192,011.40	64,577,235.25	-	1,192,011.40
St. Louis	3,857,349.32	102,553,324.63	98,695,975.31	-	5,275,695.79	4,857,349.32	-
Minneapolis	-	25,893,469.77	29,760,181.39	3,866,711.62	28,030,069.01	-	2,866,711.62
Kansas City	9,065,166.53	85,986,480.53	76,921,314.00	-	27,342,612.10	-	1,434,833.47
Dallas	-	40,407,036.94	46,885,812.76	6,478,775.82	17,432,804.27	-	6,478,775.82
San Francisco	14,988,740.77	61,530,873.97	46,542,133.20	-	28,107,944.70	14,988,740.77	-
Total	\$ 42,249,183.44	\$ 1,467,352,008.89	\$ 1,467,352,008.89	\$ 42,249,183.44	\$ 482,391,647.05	\$ 32,184,016.91	\$ 32,184,016.91

FEDERAL RESERVE AGENTS' FUND

X-3410a
Washington, D. C.
May 19, 1922.

Summary of transactions for period ending May 18, 1922.

(CONFIDENTIAL)

Federal Reserve Agent at	Balance last statement May 11, 1922.	Gold Withdrawals	Gold Deposits	Withdrawals for transfers to bank	Deposits through transfers from bank	Total Withdrawals	Total Deposits	Balance at close of business May 18, 1922.
Boston	\$ 123,000,000	\$ 10,000,000	\$ 5,000,000	\$ -	\$ -	\$ 10,000,000	\$ 5,000,000	\$ 118,000,000
New York	401,000,000	-	-	-	-	-	-	401,000,000
Philadelphia	149,389,260	5,000,000	-	-	-	5,000,000	-	144,389,260
Cleveland	165,000,000	-	-	15,000,000	-	15,000,000	-	150,000,000
Richmond	43,795,000	3,000,000	-	-	-	3,000,000	-	40,795,000
Atlanta	92,500,000	2,500,000	1,000,000	-	-	2,500,000	1,000,000	91,000,000
Chicago	337,644,500	7,000,000	-	-	-	7,000,000	-	330,644,500
St. Louis	60,300,000	-	2,500,000	4,000,000	-	4,000,000	2,500,000	58,800,000
Minneapolis	16,000,000	-	-	-	-	-	-	16,000,000
Kansas City	43,360,000	-	1,000,000	-	-	-	1,000,000	44,360,000
Dallas	10,000,000	-	-	-	-	-	-	10,000,000
San Francisco	202,709,000	7,000,000	-	10,455,500	-	17,455,500	-	185,253,500
Total	\$ 1,644,697,760	\$ 34,500,000	\$ 9,500,000	\$ 29,455,500	\$ -	\$ 63,955,500	\$ 9,500,000	\$ 1,590,242,260

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COPY

THE AMERICAN BANKERS ASSOCIATION

5 Nassau St.,
New York, N.Y.

X-3411

May 16th, 1922.

Mr. John R. Mitchell, Member,
Federal Reserve Board,
Washington, D. C.

My dear Mr. Mitchell:

Mr. James Ringold of Denver and Vice President of the Clearing House Section of the American Bankers Association, asked me to write you relative to the conversation he had with you on Saturday regarding the practicability of having district designations and branch designations for the Federal Reserve Banks and their members, combined in some manner with the American Bankers Association numerical number. He suggested that I write you regarding this matter and tell you of the action taken by the members of the Executive Committee of the Section at the Spring meeting at White Sulphur Springs, last week. -

Governor Harding has been in communication with Mr. McAdams, President of the American Bankers Association, who referred this matter to Mr. Washburn, President of the Clearing House Section, under whose direction the Numerical System is operating. The suggestion was made at our meeting held last week that we recommend to the Committee on the Numerical System and they in turn recommend to the Federal Reserve Board if it meets with their approval, a plan to be worked out whereby the twelve Federal Reserve Banks be listed alphabetically, for instance, Boston - A, New York - B, Philadelphia - C, Cleveland - D, and so forth, and the branch designations carry an abbreviation of the city in which it is located, for instance, in the Fourth Federal Reserve District, it would carry D-Cleve, for Cleveland, D-Pitts for Pittsburgh, D-Cinn, for Cincinnati. This alphabetical designation to be placed immediately under the numerical number appearing on all checks. By using the alphabetical key for the Federal Reserve designations, there will be no chance whatsoever of the clerks in the transit departments listing the checks incorrectly, as would be the case as suggested by the Federal Reserve Bank of San Francisco, which bank submitted to Governor Harding an idea whereby their head office would be listed as 11-21 28-4 for Spokane and 19-3 for Seattle. Under
12-S.F. 12 -Sp. 12-Se.

our suggestion, the Federal Reserve Bank of San Francisco and the branches would be listed as follows:

11-21 Spokane 28-4 Seattle 19-3
L-S.F. L-Sp. L-Se.

The members of the Clearing House Committee also feel

that the placing of the Federal Reserve Bank designations as suggested, on checks and drafts, if agreeable to the Committee on the Numerical System, can be accomplished more readily through Federal Reserve agencies than through the American Bankers Association, as each branch of the Federal Reserve Bank would merely have to take up the matter with banks in its own district. However, the American Bankers Association will lend its untiring support to the Federal Reserve Board and the Federal Reserve Banks in helping to bring this about.

We feel that the Committee on the Numerical System will concur with the action taken by the members of the Executive Committee of the Clearing House Section and I will be glad to let you know of the action of this Committee after they have held a meeting regarding this matter. Will be pleased to have you let me know just what you think of the proposition that we suggest.

Hoping to hear from you regarding this matter and with kindest regards, I remain

Yours very truly,

(Signed) D. A. Mullen

Secretary.

M/R

FEDERAL RESERVE BOARD

WASHINGTON

X-3412

May 22, 1922.

SUBJECT: Expense Main Line, Leased Wire System, April, 1922.

Dear Sir:

Enclosed herewith you will find two mimeograph statements, X-3412a and X-3412b, covering in detail operations of the main line, Leased Wire System, during the month of April, 1922.

Please credit the amount payable by your bank in the general account, Treasurer U. S., on your books, and issue C/D Form 1, National Banks, for account of "Salaries and Expenses, Federal Reserve Board, Special Fund", Leased Wire System, sending duplicate C/D to Federal Reserve Board.

Very truly yours,

Fiscal Agent.

(Enclosures)

X-3412a

REPORT SHOWING CLASSIFICATION AND NUMBER OF WORDS
TRANSMITTED OVER MAIN LINE OF THE FEDERAL RESERVE
LEASED WIRE SYSTEM FOR THE MONTH OF APRIL, 1922.

From	Bank Business	Per cent of Total Bank Business (*)	Treasury Dept. Business	War Finance Corp. Business	Total
Boston	29,366	2.91	4,574	148	34,088
New York	200,627	19.89	9,751	-	210,378
Philadelphia	51,404	5.10	6,239	-	57,643
Cleveland	76,879	7.62	5,291	256	82,426
Richmond	70,008	6.94	4,472	6,648	81,128
Atlanta	60,813	6.03	5,720	231	66,764
Chicago	124,336	12.33	6,113	35	130,484
St. Louis	79,542	7.89	6,185	405	86,132
Minneapolis	40,628	4.03	3,646	91	44,365
Kansas City	31,591	8.09	5,670	232	87,493
Dallas	59,770	5.92	3,144	99	63,013
San Francisco	<u>133,664</u>	<u>13.25</u>	<u>11,457</u>	<u>-</u>	<u>145,121</u>
Total F. R.					
Banks	1,008,628		72,262	8,145	1,089,035
Washington	<u>288,420</u>	<u>100.00</u>	<u>82,533</u>	<u>4,215</u>	<u>375,168</u>
Grand Total	1,297,048		154,795	12,360	1,464,203
Percent of Total	88.58%		10.57%	0.85%	
Bank Business	1,297,048 words	or 89.34%			
Treasury Business	<u>154,795</u> " "	<u>10.66</u>			
TOTAL	1,451,843	100.00%			

(*) These percentages used in calculating the pro rata share of leased wire expenses as shown on the accompanying statement (X-3412b)

FEDERAL RESERVE BOARD
WASHINGTON, D. C.
MAY 22, 1922.

REPORT OF EXPENSE
MAIN LINE

FEDERAL RESERVE LEASED WIRE SYSTEM APRIL, 1922.

X-3412b

Name of Bank	Operators' Salaries	Operators' Overtime	Wire Rental	Total Expense	Pro rata Share of Total Expense	Credits	Payable to Federal Reserve Board
Boston	\$ 250.00	\$ -	-	\$ 250.00	\$ 686.75	\$ 250.00	\$ 436.75
New York	789.98	20.00	-	809.98	4,694.00	809.98	3,884.02
Philadelphia	225.00	-	-	225.00	1,203.59	225.00	978.59
Cleveland	366.00	-	-	366.00	1,798.30	366.00	1,432.30
Richmond	305.00	-	-	305.00	1,637.83	305.00	1,332.83
Atlanta	240.00	-	-	240.00	1,423.07	240.00	1,183.07
Chicago (#)	4,985.98	11.00	-	4,996.98	2,909.85	4,996.98	2,087.13 (*)
St. Louis	300.00	-	-	300.00	1,862.02	300.00	1,562.02
Minneapolis	275.00	-	-	275.00	951.07	275.00	676.07
Kansas City	326.66	-	-	326.66	1,909.22	326.66	1,582.56
Dallas	170.00	-	-	170.00	1,397.11	170.00	1,227.11
San Francisco	395.00	-	-	395.00	3,126.97	395.00	2,731.97
Fed. Res. Board				\$17,579.88	17597.88		
Total	\$8,628.62	\$ 31.00	-	\$26257.50 (a) <u>2657.72</u> 23599.78	\$23599.78	\$ 8,659.62	\$ 17027.29 (&) <u>2087.13</u> 14940.16

(#) Includes salaries of Washington Operators

(&) Amount reimbursable to Chicago

(*) Credit

(a) Received \$2,313.94 from Treasury Dept. and \$343.78 from War Finance Corporation covering business for months of October 1921 and March 1922, respectively.

FEDERAL RESERVE BOARD

WASHINGTON, D. C.

MAY 22, 1922.

FEDERAL RESERVE BOARD
WASHINGTON

X-3413

May 23, 1922.

SUBJECT: Acceptance Practices.

Dear Sir:

The Comptroller of the Currency recently held a conference in Washington with the Chief National Bank Examiners and through his courtesy the Board is enabled to lay before you copy of a report made to him by a committee of examiners upon improper acceptance practices which have been discovered. The Board requests that you bring this report to the attention of your bank's own examiners, of the discount committee and of those of your officers who purchase acceptances.

Very truly yours,

G o v e r n o r .

(Enclosure)

TO THE CHAIRMEN OF ALL F. R. BANKS.
Copy to the Governors.

COPY.

Washington, D. C.

May 5, 1922.

Comptroller of the Currency,

Washington, D. C.

Sir:

Your committee No. 1 submits its report upon improvement of the character of acceptances by national banks and a discussion of bad practices which have been found.

The new regulations which have been issued by the Federal Reserve Board, in connection with the use of bankers' acceptances covering export and import transactions, emphasize the necessity of more carefully considering the basis upon which acceptance credits are being granted by the various member banks. In spite of the comprehensive regulations issued by the Federal Reserve Board regarding this phase of banking practice, there have been numerous and flagrant violations upon the part of the large as well as the small banks. The duty of strict supervision of the underlying principles upon which national banks grant their acceptance facilities devolves to a very great extent upon the National Bank Examiners, and special attention should be paid to that part of the examination, to see that not only the letter but the spirit of the law is carried out. It might be helpful to point out some of the more common abuses of the acceptance privilege, which have been met with recently in the examination of national banks.

Perhaps the most frequent abuse in connection with granting acceptance facilities against import and export transactions is found in the continued renewals given by some banks to their customers, aggravated to a considerable extent by the difficulties which have arisen in American foreign trade during the past two years. When the Federal Reserve Board announced its intention of showing greater leniency towards rediscounting by the Federal Reserve Banks of renewals, in connection with transactions effected by the world wide depression in business, many banks took advantage of this ^{to} too great and unintended an extent, and advances which were originally made by means of acceptance credits, but which should have long since been either liquidated or turned into a direct bank loan, were carried along by the banks by means of continued renewals of acceptances. A national bank should not commit itself regarding renewals of acceptances at the time of the opening of the credit. Each application for a renewal should be judged upon its own merits at the maturity of the acceptance. It is found, however, that some banks have agreed to one or more renewals at the time of the opening of the credit. There have also been a number of cases where acceptances have been renewed as many as five or six times against

imports or exports of both raw materials and finished products. The tendency in such cases is for the bank to furnish working capital to concerns by means of acceptance credits rather than by making them a direct loan.

Some banks have granted acceptance facilities to American exporters against their foreign bills, which have been lodged with them for collection. This method has in some cases been abused through the continued renewals of such acceptances, in spite of the fact that the collections upon which they were based had been dishonored, extended or returned because of non-payment. All of these acceptances should have been retired at maturity and a direct advance secured from the bank, if necessary, to finance the delay. There has even been one case of a bank, which after finding that payment was delayed on various export bills which they had discounted for one of their customers, requested him to put them in funds by drawing a ninety day bill on the bank, which was accepted and discounted, thus wiping out the debit in the direct advance account.

In the recent Cuban crisis there were many instances of too liberal renewals of acceptances in connection with various sugar credits. In some cases the credit was in force from the time that the sugar cane was growing until long after the arrival of the refined sugar in America. The "dead season" financing has proved to be particularly objectionable. Practically all of the so-called "sugar credits", in which most of the large accepting banks participated, were subject to a considerable amount of criticism as to the method by which the collateral was handled, particularly while the sugar was in Cuba. There was no attempt made in connection with these credits at the time of the various renewals to adequately reduce the amount of the acceptances outstanding to conform to the actual marketable value of the sugar held. Although the sugar was not really being financed by means of acceptances for a speculative purpose, still, the banks enabled large amounts of sugar to be kept off the market while stocks that were being held and which were not being financed by the acceptance credits, were disposed of in the market.

Some member banks have not taken definite steps in connection with granting acceptance facilities against export transactions to assure themselves that there were actual and definite shipments involved. They have thought that it was sufficient to have a general understanding that the proceeds of an acceptance would be used for the financing of shipments of merchandise between any particular countries. Also that it was quite in order to grant acceptance credits with continued renewals to finance continuous shipments of raw materials imported into the United States. This financing should more properly have been taken care of as a direct borrowing proposition rather than by means of continuously renewed acceptances.

There have also been instances where acceptance credits have not been granted directly to the exporter or importer but to corporations which have used the funds thus obtained for the purpose of financing the foreign business of their customers.

In a general way the abuses which have come up in connection with the granting of acceptance facilities against export and import transactions apply in the case of credits governing domestic acceptances. In these credits we again meet a number of cases where there have been excessive renewals; where the banks have financed the carrying of goods for a considerable period of time, if not for the speculative holding, at least for the maintenance of prices above what would otherwise be the real economic value; and where little regard has been paid in the case of renewals to the depreciated value of the collateral against which the acceptances were made.

There have been instances where domestic acceptances have been given with practically no attention paid to the question of the accepting bank being secured during the life of the acceptance. As an instance of this, one bank accepted drafts drawn against crude and refined oil in storage on their customer's property or in his pipe lines.

Domestic acceptance credits have also been used for the purpose of securing continued finance. An example may be mentioned where a bank accepted time bills drawn upon them secured by warehouse receipts covering cotton in warehouses. These receipts were deposited by the bank with a correspondent in the town where the warehouse was located, with instructions to permit substitutions, allowing their customer to receive the documents against trust receipt. This resulted in the collateral being continually changed, so that the accommodation was really in the nature of a permanent loan.

In another case acceptances were made for the account of a cotton factor, who at the time of the acceptance pledged and deposited warehouse receipts and signed contracts of sale with a bank. The amount of the acceptances included his profit on the transaction, and no definite time for the taking up of the cotton by the purchaser was agreed upon. As the acceptances were renewed on a falling market for cotton no effort was made to have the amount of the acceptances conform to the real value of the cotton.

In one instance a bank was accepting against a domestic shipment when the goods were being transported across the city by truck; a trip requiring about thirty minutes.

A flagrant misuse of acceptances may be mentioned where a firm desired to purchase some furs from another concern and wrote a letter to a bank stating that it was holding the furs at their disposal and induced the bank to accept their time draft on them. With the money secured from the discount of the bank's acceptance the furs were actually secured and gradually sold during the life of the acceptance.

There have been instances of some misconceptions arising in connection with the interpretation of the Federal Reserve Board's definition of a readily marketable staple. One bank stretched this definition to include bristles and brushes.

In another case watch parts were construed as staples and in still another case acceptances were executed against dolls' heads in storage.

Another unwarranted abuse has been met where acceptances have been given for the purpose of securing overdrafts. Acceptances have also been executed by the same bank for the financing of the building of a steamship in the United States for foreign owners.

The above is a summary of the most common abuses of acceptances found in the recent examinations of national banks. In view of the excellent material which has been issued by the Federal Reserve Board and the American Acceptance Council on the correct method of financing domestic and foreign business by means of acceptances, it would be quite useless to reiterate the clear and concise suggestions made by them. In fact during the past seven years there has not been a subject in banking practice which has received as much publicity as that of the acceptances. In spite of this, scarcely an examination is made of one of the larger accepting banks without finding some violations of the intent and purpose of the Federal Reserve Act in connection with acceptances. It is very difficult for the Federal Reserve Banks to discriminate between which acceptances are drawn in accordance with the law and which are not, when member bank acceptances are offered to them for rediscount. Furthermore it is extremely awkward, if not impossible for them to make inquiries regarding the transaction actually behind an acceptance, when the bill is presented to them for rediscount through a third party as it would necessarily have to be.

Perhaps the most practical method of remedying the situation is to have more attention paid by the bank examiners to a bank's acceptance activities. A study should be made by a fully qualified member of the bank examiner's force of each acceptance credit, and he should satisfy himself that the bank is entirely familiar with all of the details regarding the business, and especially that the underlying transactions

will liquidate the credits within a reasonable length of time. The examiner should assure himself that there is a responsible officer in each bank who is thoroughly conversant with the law and regulations governing acceptances, and any changes therein. Particular inquiry should be made in the case of all renewals to ascertain that the transaction is still alive, and still forms a proper basis for being financed by means of acceptances. Above all an earnest endeavor should be made to obtain the active cooperation of the bank officials as regards the placing of national bank acceptances upon a correct basis.

(Signed) D. C. Borden
T. C. Thomas
H. W. Scott
L. K. Roberts.

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FEDERAL RESERVE BOARD
WASHINGTON

X-3414

May 23, 1922.

SUBJECT: Personnel of Federal Reserve
Banks and Branches.

Dear Sir:

It is requested that you forward to the Board a statement, to reach Washington not later than June 10, giving the information requested below for the Head Office and each Branch separately, as of December 31, 1921. The figures shown should represent the number and salaries of the personnel of your bank before the end-of-year changes became effective.

1. Name, title, and annual salary of each officer, also the department to which each officer below the grade of cashier or controller is assigned.
2. Total number of employees, together with their annual salaries in each of the following departments:
 - Banking
 - Federal Reserve Agents
 - Auditing
 - Fiscal Agency

It is also requested that statements similar to the above be furnished to the Board as of June 30, and December 31, 1922, and thereafter as of June 30 and December 31 of each year.

Very truly yours,

G o v e r n o r .

TO THE CHAIRMEN OF ALL FEDERAL RESERVE BANKS.

FEDERAL RESERVE BOARD

WASHINGTON

X-3415

May 24, 1922.

SUBJECT: Closing of books.

Dear Sir:

In the past it has been the policy of the Federal Reserve Banks to close their books on June 30 as well as on December 31 of each year, although the calendar year has been considered as the fiscal year. A number of the banks now find it necessary to set up substantial amounts as reserves against probable losses, and as it is not practicable to estimate with any fair degree of accuracy on June 30 the amount of such reserves which will be set aside on December 31, entries made on June 30 have to be reversed or materially modified when the books are finally closed for the year on December 31.

It is evident therefore that net results of operations cannot be accurately shown for each of the two 6-month periods. Accordingly the Federal Reserve Board requests that in the future the books of the Federal Reserve Banks be closed but once a year, that is, on December 31. This does not, however, affect the payment of the usual semi-annual dividend on June 30, and it is therefore requested that this letter be presented to the Board of Directors of your bank at an early date, so that their formal resolution in regard to payment of dividends for the first half of the present year may reach the Board not later than June 20, 1922.

Very truly yours,

G o v e r n o r .

LETTER SENT TO EACH CHAIRMAN
COPIES TO GOVERNORS.

FEDERAL RESERVE BOARD

WASHINGTON

X-3416

May 24, 1922.

**SUBJECT: Minimum Rate for Open Market Purchases
of Trade Acceptances.**

Dear Sir:

At their recent conference the Governors of the Federal Reserve Banks recommended that no preferential rediscount rate be established for trade acceptances, but that in fixing rates for open market purchases of trade acceptances consideration be given to the especial quality of that kind of paper. This recommendation has been approved by the Federal Reserve Board, and the Board hereby announces that it is prepared, upon the application of any Federal Reserve Bank, to approve a minimum rate at which eligible trade acceptances may be purchased in the open market by the applying Federal Reserve Bank, such minimum buying rate to be not less than one-half of one per cent above the minimum buying rate for bankers' acceptances effective at such Federal Reserve Bank.

In connection with the recommendation referred to, the Governors requested the Federal Reserve Board to consider the advisability of amending its regulation now in effect governing open market purchases of trade acceptances. This regulation is Regulation B, Series of 1921, which, as its title and text both indicate, authorizes Federal Reserve Banks, upon the conditions therein prescribed, to purchase in the open market bills of exchange, trade acceptances and bankers' acceptances. The Board is of the opinion that there is no occasion at the present time for amending this regulation.

Very truly yours,

G o v e r n o r .

LETTER TO CHAIRMEN
Copy to Governors.

FEDERAL RESERVE BOARD

WASHINGTON

X-3417

May 24, 1922.

SUBJECT: "Reserved for Government
Franchise Tax."

Dear Sir:

In accordance with the recommendation of the Conference of Governors of Federal Reserve Banks held in Washington on May 2, 3, and 4, the Board will discontinue the publication of the item "Reserved for Government Franchise Tax" in its weekly statement of the condition of Federal Reserve Banks, beginning with the statement as of July 5, 1922, and it is requested that the item be also eliminated from statements of condition of your Bank released locally. In view of the discontinuance of the publication of the item "Reserved for Government Franchise Tax", amounts shown against that caption for prior dates will be added to "All other liabilities" when comparative figures for the preceding week or year are published.

In consequence of the above change in the weekly statement, after June 28 balance sheets Form 34 should not show amounts of "Accrued portion of estimated end-of-year charge-offs" and of amounts "Reserved for Government Franchise Tax," either in the Miscellaneous Liabilities block or among the deductions from current net earnings as provided for in the form now in use. The caption "Available for transfer to surplus fund" should be changed so as to represent "Amounts available for depreciation allowances, reserves, surplus, and franchise tax," and the amount thereof should be reported against the present code word "CUTE" and included in item "All other liabilities" of the weekly statement.

Very truly yours,

G o v e r n o r .

LETTER TO EACH CHAIRMAN.

FEDERAL RESERVE BOARD
WASHINGTON

X-3418

May 25, 1922.

SUBJECT: Treasury Certificates Maturing June 15, 1922.

Dear Sir:

I enclose herewith, for your information, copy of a letter received today from the Under Secretary of the Treasury, from which you will see that he expresses the hope that the Federal Reserve Banks will not reinvest the aggregate face amount of \$75,000,000 of Treasury certificates which they now hold, maturing June 15th, at least for a period of ten days **or** two weeks following that date.

You are requested to advise the Board as to the attitude of your bank with respect to this request.

Very truly yours,

G o v e r n o r .

(Enclosure)

GOVERNORS OF ALL F. R. BANKS
COPIES TO CHAIRMEN

COPY

X-3418a

THE UNDERSECRETARY OF THE TREASURY

WASHINGTON.

May 25, 1922.

My dear Governor:

According to reports recently transmitted by the Federal Reserve Board, the Federal Reserve Banks now hold for their own account about \$75,000,000 aggregate face amount of Treasury certificates maturing June 15th. I hope that when the time comes, these certificates will be allowed to run off, without reinvestment, at least for the period of ten days or two weeks following June 15th in which the Treasury will be covering overdrafts with the Federal Reserve Banks pending the collection of tax checks and the receipt of funds from depositaries. To a large extent the 3 per cent special certificates which the Treasury will give in this connection will fill the gap in the investment account, and from many points of view, it will be a helpful thing to let this large block of Federal Reserve Bank investments run off naturally at the maturity of the certificates.

Very truly yours,

(Signed) S. P. Gilbert, Jr.,

Under Secretary.

Hon. W. P. G. Harding,
Governor, Federal Reserve Board,
Washington, D. C.

F E D E R A L R E S E R V E B O A R D

STATEMENT FOR THE PRESS

X-3419

For release in Morning Papers,
Thursday, June 1, 1922.

The following is a review of general business and financial conditions throughout the several Federal Reserve Districts during the month of May, as contained in the forthcoming issue of the Federal Reserve Bulletin.

Steady improvement in the indicated yield of the principal agricultural products has been an outstanding feature in the developments of the past month. Improvement in the prices of cotton, grains, and other products is also a noteworthy feature of the month. Business, insofar as dependent upon current agricultural prospects, shows steady improvement, notwithstanding diminished export shipments of agricultural products, particularly grains, as disclosed by the ten months' figures since the beginning of the fiscal year, and notwithstanding further a slackening of the demand for agricultural products for domestic use. Good demand for labor has manifested itself in practically all parts of the country with corresponding reduction of unemployment especially in outdoor occupations.

In appraising the manufacturing situation a distinction must be drawn between basic commodities and those of a more highly finished sort. The marked improvement in the case of iron and steel noted in business surveys of previous months has continued during May, unfilled orders increasing materially and ingot pro-

duction being the greatest in any one month since November, 1920. The demand for iron and steel products continues particularly strong in the case of automobiles and railway supplies. Much the same may be said with respect to copper and the other nonferrous metals. The advances in the price of copper and the reduction in stocks which had previously occurred have been accompanied by a general re-opening of mines and a corresponding increase in the demand for mine labor. The situation in other important lines of manufacture is less easy to characterize. Due to the continuation of the textile strikes, the output of cotton goods has been materially lessened, although in the southern cotton mill districts plants are reported as operating near to full capacity. A very pronounced increase in unfilled orders has been noted by representative cotton mills in the Atlanta district, which is typical of the general situation. There was a recession of activity in woolen manufacturing during April, especially in the worsted branch of the industry, while the silk industry is suffering from a condition of continued depression and inactivity. A mixed situation confronts manufacturers of boots and shoes. In the St. Louis district, activity has been well maintained but in the Boston, Philadelphia and Chicago districts some recession has apparently occurred. A portion of this must be ascribed to seasonal reaction.

Prices have continued to show stability. The general index number of wholesale prices compiled by the Federal Reserve Board shows an advance of two points as compared with the preceding month, making it 149 (which closely approximates the index number 146 of the corresponding month a year ago). This advance is due to the advances in the prices of

agricultural products and in materials used in certain basic industries. On the whole the adjustment of prices among commodities and industries is approaching a more normal relationship.

Reflecting the improved condition in agriculture and the larger disbursement in wages in many basic industries, retail trade exhibits an enhancement of buying power, returns being more favorable than those of recent months. In wholesale trade, however, the situation is spotty, some lines, such as hardware, being favorably influenced by the great activity in building. In other wholesale lines the improvement of retail trade is not reflected in a corresponding advance in wholesale demand. It should be remembered, however, that owing to the seasonal concentration of orders in wholesale trade, especially in the southern districts, an exact parallelism between retail and wholesale activity, is seldom found, and in the month of March, wholesale business experienced a high degree of seasonal activity.

On the whole there appears to have been a decrease in unemployment which has been brought about through the increased seasonal demand for outdoor labor, the enlarged opportunities for employment in the mines, and in other directions. Factory demand has not kept pace with the growth in other branches, but, on the whole, has receded, especially if voluntary unemployment due to strikes in certain sections of the country be considered. In the building trades the notable revival which started at about the close of winter has continued and has led to unusual demand for labor.

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Financially the month of May has also been a period of comparative stability. No changes in discount rates have taken place at the Federal Reserve Banks and rates in the open money market have continued distinctly below those prevailing at the local Federal Reserve institutions. Call money figures have been exceptionally low during most of the month. Interest rates have also fallen to some extent in the producing sections of the country. The prospect of some better adjustment of foreign economic conditions has tended to stabilize rates of exchange, most of the foreign currencies fluctuating only within very narrow limits.

Foreign trade has shown a distinct tendency to improve, the merchandise export balance in favor of the United States reaching higher figures. At the same time a somewhat better inquiry for tonnage has developed. Among domestic developments the striking event of the month has been the announcement of a cut of 10 per cent in railroad rates by the Interstate Commerce Commission. What effect this will have upon commodity movements is as yet uncertain.

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AGRICULTURE: The average condition of winter wheat on May 1 was 83.5, as compared with a condition of 878.4 on April 1, 1922, and a condition of 88.8 on May 1, 1921. The estimated production amounts to 584,793,000 bushels, or 0.4 per cent less than the 1921 crop. In District No. 7 (Chicago) the winter wheat crop promises to be considerably larger than in 1921 and has enjoyed favorable weather conditions during the early part of May, except for fields in river bottoms. District No. 10 (Kansas City) states that weather conditions in May have been very encouraging and indicate a continuance of the remarkable improvement in the condition of wheat which commenced in April. Winter wheat is also in good condition in District No. 8 (St. Louis), although a considerable acreage in southern Indiana and Illinois was flooded and has been abandoned. In District No. 12 (San Francisco) the wheat crop was helped by improved weather conditions in the first half of May, although the temperature has been rather too low for rapid growth, and certain fields in northern California are in need of rain. The average condition of rye throughout the United States on May 1 was 91.7 which forecasts a production of 79,152,000 bushels, as compared with a crop of 57,918,000 bushels in 1921.

The leading agricultural districts all report a marked reduction in the planting of oats, due to the late spring and heavy rains and floods. Reports from District No. 10 (Kansas City) indicate that the corn acreage will be substantially larger than in 1921, due to

the large wheat acreage which was abandoned and the small acreage seeded to oats; but comparatively little of the corn acreage of Nebraska and Kansas has yet been planted and much replanting has been necessitated in Oklahoma on account of unfavorable soil conditions. In District No. 7 (Chicago) the planting of corn is from one to three weeks late, but soil conditions are now reported to be propitious. Corn planting has also been delayed in District No. 8 (St. Louis), but is now making rapid progress. The acreage will be larger than last year in Missouri, Arkansas and Tennessee.

Reports in regard to the white potato crop indicate a rather general increase in acreage. The bulk of the Florida crop has already been harvested and early planted potatoes in Oklahoma and southern Missouri are growing rapidly. Louisiana sugar cane has been greatly retarded by cool weather, while the crops on many large plantations have been destroyed by floods. District No. 10 (Kansas City) reports that acreage planted to sugar beets is about 15 per cent less than in 1921 in Nebraska, Wyoming, Colorado and Kansas.

COTTON: Cotton prices have risen rapidly during May in all sections of the South, due to the large domestic factory consumption, the continued heavy exports, and doubt concerning the size of the new crop on account of the delayed planting and the fear of boll weevil ravages. The price of middling upland cotton at New Orleans on May 17 was 19.9 cents, as compared with 17 cents on April 19. Cotton stored in mills and in public warehouses on April 30, amounted to 4,672,605 bales, about 36 per cent less than on April 30, 1921.

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Heavy rains and floods delayed the planting of cotton in almost all sections. The cotton crop in District No. 11 (Dallas) is from two to four weeks late, but there is a considerable increase in acreage. Low temperatures and excessive rains necessitated considerable replanting of cotton in the southern parts of District No. 10 (Kansas City) and District No. 8 (St. Louis), and farmers in Arkansas, Tennessee and Kentucky are also planting all spare acreage to cotton. Planting was practically completed during April in central and southern Georgia, whereas less than half the cotton was planted in the northern section of the state. About 20 per cent of the fields in Georgia were planted without the use of fertilizer.

TOBACCO: In District No. 5 (Richmond), tobacco has been transplanted in South Carolina and the plants are doing well, while Virginia beds are good and land has been prepared for resetting. North Carolina reports indicate increased acreage in tobacco and greater use of fertilizer than last year. Tobacco beds are growing fast in District No. 8 (St. Louis), but there are some complaints of damage from worms. The cooperative marketing association in District No. 5 (Richmond) appears to be making steady headway among the growers, and announces that it has leased 150 warehouses. Leaf dealers in that District report that the past month or two have witnessed distinct improvement in the leaf business. Orders from abroad have increased with the rise in foreign exchange, and there is a fair volume of domestic business. Dealers report their stocks are not heavy, and believe this year's crop will

be largely taken up by foreign and domestic manufacturers within the next 90 days. Domestic cigar leaf in District No. 3 (Philadelphia) has, however, shown little activity. Prices on the whole still tend downward, and the supply is plentiful. A slight increase in cigar sales in May is reported over April, but the larger manufacturers seem to have received relatively more orders than the smaller ones.

FRUIT: Prospects for large deciduous fruit yields are excellent in most sections, although considerable frost damage was suffered in Districts No. 3 (Philadelphia), No. 5 (Richmond), and No. 11 (Dallas). Reports from District No. 3 (Philadelphia) indicate that frost damage was severe in the valleys, but comparatively light on the hillsides. The greatest injury was done to peaches and early cherries, while the destruction of apples and plums was less general. In District No. 5 (Richmond) the apple crop was considerably damaged by frosts in the latter part of April, but the strawberry crop is of record size. The Louisiana strawberry crop this year amounted to about 1,700 car loads and was shipped to 85 different markets in 32 states, although average prices were lower than for several years. It is estimated that the commercial watermelon crop of Florida will amount to 12,744 cars, over 50 per cent greater than the 1921 crop. The outlook for orchard fruit in District No. 8 (St. Louis) is better than in any year since 1914, and the Arkansas strawberry crop is the largest on record. Orchards have been much improved by scientific pruning and spraying. In District

No. 10 (Kansas City) all fruit trees have a heavy crop, with the possible exception of apple trees. The condition of peach orchards forecasts a record crop in California, and yields of cherries and pears also promise to be unusually heavy.

Prices of citrus fruits continue favorable, although some reduction has resulted from imports of Spanish and Italian oranges. Florida suffered from a prolonged spell of dry weather during April which caused some shedding and lowered the condition of each of the citrus fruit crops.

GRAIN MOVEMENTS: Grain receipts at 17 interior centers registered another marked decline during April and were 56 per cent less than the high total received in February. The volume of marketing was smaller for all kinds of grain in April, the decreases being most marked for rye and corn. The most important cause of this curtailment in marketing is a reduction in the volume of grain exports. Wheat receipts at the reporting interior centers amounted to 16,892,879 bushels in April, a decline of 17.2 per cent as compared with March. The decrease was most pronounced in Districts No. 8 (St. Louis) and No. 9 (Minneapolis), while there was an actual increase in District No. 7 (Chicago). Receipts of corn totaled 15,356,744 bushels in April, a decline of 50 per cent from the March figures. District No. 10 (Kansas City) reports that millers continue to buy choice white and yellow corn and that prices are strong. The volume of grain stored at interior and seaboard centers was somewhat diminished during April, but was much larger than stocks on April 30, 1921, due to the larger accumulations at primary markets.

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FLOUR: Flour production during April was less than during March in all Districts, although greater than during April 1921 in certain Districts. In District No. 9 (Minneapolis), the April 1922 figures reported was 1,777,499 barrels, which was 13 per cent less than in March and 7 per cent less than a year ago. The April output in District No. 10 (Kansas City) was 1,487,380 barrels, a decrease of 17 per cent from March, but an increase of 20 per cent over the April 1921 figure. Forty six millers in District No. 7 (Chicago) produced 315,358 barrels in April, which was 27 per cent less than in March, but 33 per cent more than a year ago; while 11 leading mills in District No. 8 (St. Louis) showed April production of 252,868 barrels, as against 329,428 barrels in March. In District No. 12 (San Francisco) output of 61 mills decreased from 707,202 barrels in March to 494,946 barrels in April. Throughout April the demand for flour was slow and unsatisfactory in District No. 8 (St. Louis), especially on high grades and patents. Purchasing was principally on a hand to mouth basis, but prices were relatively well sustained, due chiefly to scarcity of prime milling wheat and scarcity of clean and low grade flours. Old export orders in District No. 12 (San Francisco) have been delivered, and little new export business has been booked.

LIVE STOCK: Receipts of each of the three principal classes of live stock during April were less than during the preceding month, and than a year ago. April receipts of cattle and calves were 985,243

head, a decrease of 14.9 per cent from the March figure, and 1.0 per cent from the April 1921 figure. Receipt of hogs in April amounted to 2,094,354 head, which was 12.2 per cent less than in March, and 8.1 per cent less than a year ago. Receipts of sheep decreased 25.6 per cent from March to April, amounting to 741,401 head for the latter month, and were 31.2 per cent less than in April 1921. The decrease in receipts of fat cattle and all classes of hogs and sheep is attributed by live stock men in District No. 10 (Kansas City) to the liquidation that followed unsatisfactory markets and stringency a year ago. Satisfactory spring grazing and improved market prices for fat cattle are given as the chief incentive for holding large numbers of thin cattle on farms and ranges. Live stock conditions in the District are generally good, although late storms and cold weather in mountain sections have resulted in considerable loss of old stock, both cattle and sheep. Abnormally heavy rains in Texas during the past 30 days have aided in producing a situation that is now reported to be almost ideal for the rapid growth and fattening of cattle, except in the vicinity of El Paso and parts of eastern New Mexico. Losses in live stock in District No. 12 (San Francisco) from exposure and lack of feed, have been greater than usual during the past winter, which was unusually long and severe. The condition of feed on most pastures and ranges is reported much below the average for this period of the year, although improving with the advent of warmer weather. Lambing was accompanied by heavier losses than usual. Substantial progress

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is being made in building up the dairy industry in District No. 10 (Kansas City).

Thirty-one packers report April dollar sales 2.9 per cent less than in March, and 8.2 per cent less than in April, 1921. Stocks of cured meats and lard at western packing points at the close of April were greater than on March 31, but considerably below those of a year ago. Packers in District No. 10 (Kansas City) report that, while the demand for pork has not broadened, buying has been free, although purchases are for immediate needs only. The beef trade has shown considerable improvement. Five large exporters in District No. 7 (Chicago) reported April shipments larger than in March, but two reported decreases. A nominal increase in consignment stocks abroad was indicated on May 1.

COAL: April production of bituminous coal was estimated at 15,780,000 tons, compared with 50,193,000 tons last month, and 27,553,000 tons in April last year. This month's production was well below that of any April in recent years, and 3,000,000 tons less than the output of November, 1919 when as now, a general strike of bituminous miners was in progress. Production has increased, however, from 3,335,000 tons during the first week of the strike, to 4,500,000 tons during the sixth week and further increase is possible, depending on demand which is beginning to pick up, accompanied by firmer prices. During the early weeks of the strike demand was

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very sluggish as consumers preferred using their reserves to buying, so that probably an average of 4,000,000 tons weekly has been drawn from the 63,000,000 tons stocked in the country on April 1st.

Production of anthracite coal for the month was practically negligible. Output was 8,757,000 tons in March, and 7,703,000 tons in April last year. Average weekly production during the strike has been about 6,000 tons. The industry has been virtually unaffected by the bituminous strike and demand remains very quiet. There has been little price-cutting to stimulate householders' buying and where tried it has proved ineffectual. Output of beehive coke dropped from 732,000 tons in March to 528,000 tons in April and was 328,000 tons in April, 1921, while by-product coke production increased from 2,137,000 tons last month to 2,227,000 tons in April.

PETROLEUM: Production of crude petroleum during April decreased considerably for the country as a whole. This was especially noticeable in District No. 11 (Dallas). In this District crude petroleum production, which reached a peak during March, declined sharply and only 13,750,590 barrels were produced, a decrease of 2,496,090 barrels. This large reduction was due partly to the unfavorable weather conditions and partly to the low production of new wells completed. Both the Louisiana and Texas fields shared in this reduction, the April daily average yield for all Texas fields being 349,713 barrels as against a daily average flow of 389,944 barrels during March. District No. 12 (San Francisco) again reports increased production, and a decrease in consumption,

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resulting in the largest stored stocks of crude petroleum since April, 1917. Average daily production in California during April was 341,077 barrels as compared with 333,737 barrels in March and 338,981 barrels in April 1921. Forty producing wells were completed during the month. Stored stocks of gasoline held in California decreased 12,693,835 gallons during March and stood at 63,718,701 gallons on April 1st, as compared with 51,573,945 gallons on April 1, 1921. An estimate of the crude oil production in District No. 10 (Kansas City) indicates a decrease when compared with March, but an increase when compared with April last year. In that District there was an increase in the number of wells completed, while the daily new production was 7,107 barrels less than in March, but more than double the daily new production during the corresponding period a year ago.

No radical price changes have been noted in any of these Districts for crude oil. Refiners report a general improvement in the situation, and with the increasing demand for gasoline as the season advanced increases of from 2 cents to 2½ cents per gallon have been made.

IRON AND STEEL: Further marked improvement is reported in the iron and steel industry. Pig iron production during April was 2,072,114 tons, an increase of 1.8 per cent over the March figure. On May 1 162 furnaces were in blast, as compared with 155 on April 1 and with 69 on August 1, 1921, the low figure last year. About a dozen additional furnaces have resumed during May. Steel ingot production also increased 2.9 per cent to 2,439,246 tons in April, and the unfilled orders of the U. S. Steel Corporation 13.4

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per cent to 5,096,413 tons on April 30. May operations have continued at over 70 per cent of capacity. Firms in District No. 3 (Philadelphia) still lag behind the general average. Demand for nearly all products has been accentuated by fear of possible restriction of output. The coal strike has seriously affected prices, increasing production cost for many manufacturers who have been compelled to purchase Kentucky and West Virginia coal since the partial shut down in the Connellsville region. A seller's market, it is stated, can now be said to exist in nearly all products, but manufacturers hesitate to promise future deliveries and are more concerned over increasing production than in booking new business. Railroads and automobile manufacturers are buying actively, but structural steel orders, while still large, have decreased somewhat lately: Tin plate is in active demand and wire products are moving in large quantities. The pig iron market in District No. 3 (Philadelphia) has been fairly active during May, although rather less so than in April. Improvement in export demand during the first weeks of May is reported in District No. 7 (Chicago), but the bulk of this business has been going to eastern markets.

AUTOMOBILES: Both production and shipments of automobiles showed further increase during April, although not at as rapid a rate as in March. Manufacturers who produced 152,625 passenger cars during March, built 196,788 during April, an increase of 28.9 per cent, while companies building 19,369 trucks during March showed an April

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output of 21,865 trucks, an increase of 12.9 per cent. Carload shipments were about 30,200 in April, as compared with 27,380 in March. Exports have shown a considerable increase. A few popular medium and low priced makes have been selling in larger quantities than ever before, while many dealers are several weeks behind in their deliveries. Used cars are being accepted on a more equitable basis than heretofore, when concessions were made in order to stimulate business, and a larger percentage of sales now involves no trades. Nearly all customers, both for new and used cars, are stated by District No. 3 (Philadelphia), however, to require credit for longer periods of time than heretofore, and cash sales are few.

NONFERROUS METALS: According to reports from the various mining districts, operations continue on an increased scale. The average price of electrolytic copper for early delivery in New York was 13 cents per pound on May 15 as compared with 12.625 cents per pound a month ago, but demand is well maintained. Production of copper for the country as a whole showed a decided increase in April over March production. The April production of refined zinc throughout the country amounted to 25,506 tons, a slight increase over the previous month. In District No. 10 (Kansas City) a noticeable change occurred in the lead and zinc ore markets of the Joplin field. Prices continued to rise, the average price for all grades of zinc blende ores in April was \$28.71 per ton, as compared with \$26.33 per ton for the previous month. The month of April registered the heaviest shipments of zinc

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ore for several months past. The total shipments were 45,185 tons as against 31,601 tons during March. Stocks of zinc ore declined considerably during the month. Lead ores continued to advance in price and sold as high as \$70.00 per ton. The increase in shipments of lead ores for the first four months of the year amounted to 10,401 tons with an increased value of \$1,036,729. District No. 12 (San Francisco) reports that the gold and silver mining industry is in a more favorable condition than at any time during the past 18 months.

COTTON TEXTILES: In New England cotton consumption is at a minimum as a result of the strike conditions still prevailing, but elsewhere the rise in the price of raw cotton has resulted in the placement of larger orders especially in the market for yarns. In District No. 3 (Philadelphia) the demand for yarns is reported to have shown a notable increase since the first of May although the average output is only between 60 and 70 per cent of normal for the mills in that District. In the case of the cloth mills, however, there was no evidence of accelerated activity but operations were averaging around 75 per cent of capacity. District No. 5 (Richmond) reports both jobbers and mill owners reluctant to negotiate forward orders on any considerable scale in the face of advancing prices of raw material. The mills in

the District are generally running full time and receiving a substantial amount of orders for immediate shipment. Productive operations of reporting mills in District No. 6 (Atlanta) during April showed a loss in the case of cloth mills as compared with the preceding month, but both yarn and cloth mills had larger orders outstanding than at the end of March. For the 40 cloth mills production dropped 7.6 per cent in April as compared with March but orders were 15 per cent greater than at the end of March. As compared with April 1921 the corresponding percentages are 46.4 per cent and 139.5 per cent. For the 39 reporting yarn mills production increased 0.6 per cent as compared with March and was 59.5 per cent in excess of April 1921. Orders on hand at the end of April were 21.7 per cent greater than at the end of March and 28.3 per cent greater than in April 1921.

The consumption of raw cotton during the month of April declined decidedly as the total fell from 518,450 bales to 446,843 bales.

WOOLEN TEXTILES. Decided advances have occurred in the prices of raw wool, which are not to be explained on the basis of speculative demands alone, but are caused by purchases to cover mill needs. Stocks of wool in the east are low and price advances have been particularly pronounced in the case of the finer grades of wool. For example, in District No. 12 (San Francisco) approximately 35 per cent of the total 1922 clip was reported to have been "contracted for by March 1 at prices ranging from 25 to 30¢ per pound for 'average' and 'top' grade of wool respectively. The larger Jericho wool pool in Utah sold at 40¢ per pound, establishing a new top price for the season to growers for high grade wool." The report from District No. 12 (San Francisco) further states that "wool is now reported to be selling rapidly, at prices ranging from 20¢ per pound for the poorest grades to 40¢ per pound for the best grades, or from 25 to 35¢ per pound for medium grades." "Last year, these grades sold at 10 to 15¢ per pound on a reluctant market." Discrimination in favor of woolen cloths as against worsteds continues to be reflected in the greater activity of woolen spindles as compared with worsted. For example, the percentage of idle worsted spindles as reported to the Bureau of the Census advanced from 25.3 on April 1, to 38.4 on May 1, while the percentage of idle woolen spindles dropped slightly, from 17.5 April 1, to 17.3 May 1. This drop of 0.2 per cent for idle woolen spindles, however, was not reflected in the percentage of idle hours to total reported which rose from 14.1 on April 1 for woolen spindles to 15.2 on May 1. The percentage of idle hours for worsted spindles advanced from 29.2 to 37.9. In the case of looms wider than 50" reed space and 50" reed space or less, increasing

idleness was recorded both in terms of idle machinery and in terms of idle hours. The percentage of idle machinery for looms wider than 50" reed space rose from 34.9 April 1 to 39.7 May 1, while the corresponding percentages for looms 50" reed space or less were 27.8 on April 1 and 36.0 on May 1. The percentage of idle hours rose in the one case from 36.9 to 41.6; and in the other case, from 36.5 to 46.6.

District No. 3 (Philadelphia) states that many mills have converted their looms from the manufacture of worsted to woolens and operations are averaging about 80 per cent in the woolen mills at the present time, whereas the worsted mills are running at only 50 per cent of capacity. Demand for yarns is most active for use in the manufacture of men's wear and dress goods. Yarn prices are much firmer with the advance in raw wool prices. The consumption of raw wool during the month of April amounted to 51,888,000 pounds as compared with 70,424,000 pounds in March.

CLOTHING. According to reports from 17 firms located in District No. 2 (New York), sales in April were 2.1 per cent in excess of those for the preceding month and 34.6 per cent greater than a year ago. District No. 8 (St. Louis) stated that sales during April showed considerable irregularity and that there had been some losses due to unseasonable weather and flood conditions. In District No. 7 (Chicago) the returns from wholesale clothing manufacturers are not presented because orders for fall merchandise are not yet being placed in sufficient volume to show the trend for the new season. Reports from 12 tailors-to-the-trade, however, showed an increase in the number of suits made of 2.7 per cent as compared with the preceding month, but orders were 5.4

per cent less than in March. On the other hand, as compared with a year ago, there is considerable improvement, as production was 26.7 per cent greater and shipments were 24.0 per cent larger.

SILK. There are no indications of improvement in the silk industry and in all probability the outlook is not so good as it was a month ago. The statistics received from North Hudson and from Paterson show further declines in manufacturing activity in the latter city and negligible advances in the former. In the case of Paterson 2,710 looms were active on May 8 out of a total of 15,000 reporting, and the percentage of active hours to total available was 16.08 as compared with 17.02 April 8. In the case of North Hudson the percentage of active hours rose to 46.91 on May 8 as compared with 42.71 April 8. The average production of the silk mills in District No. 3 (Philadelphia) was about 50 per cent and it was stated that the majority of those mills which reported a higher percentage of operations were placing their goods in stock. In spite of the low degree of activity, the raw silk market registered sharp price advances about the first of the month, but since that time there have been no particular changes.

HOSIERY. The reports received by the Federal Reserve Bank of Philadelphia from 29 hosiery manufacturers selling to the wholesale trade showed a slight recession in output during April of 9.4 percent, but orders booked increased 213.7 per cent. This large accession to orders probably represents seasonal bookings for next autumn. In the case of ten firms selling to the retail trade the product manufactured during April was 19.4 per cent less than the March output while orders booked increased 2.5 per cent. Three manufacturers of cotton hosiery

located in District No. 6 (Atlanta) showed a production 4 per cent less than in the preceding month but orders booked increased 20.7 per cent. Correspondents in that District stated that "while the current demand for hosiery had increased during April, there was no extensive buying for future delivery". In District No. 3 (Philadelphia) the market for cotton hosiery was reported to be extremely dull.

UNDERWEAR. In April, 1922, reports were received from 53 mills producing underwear, as compared with 54 in March and 61 in April, 1921. Actual production during the month showed a decided falling off, the amount produced by these 53 mills being only 521,885 dozen, or 82.7 per cent of normal. During the preceding month 54 mills reported production amounting to 756,248 dozen, or 92.9 per cent of normal. The production of 61 mills a year ago, however, was only 401,938 dozen, or 49.6 per cent of normal. The figures for summer underwear production were more nearly normal than those for winter underwear, the former amounting to 246,124 dozen, or 92.6 per cent of normal, while the latter stood at 275,761 dozen, or 75.4 per cent of normal.

Comparative reports received from 35 mills also show a loss in production since last month, decreasing from 602,116 dozen in March to 483,963 dozen in April. There was a similar falling off in both unfilled orders and new orders during the month, the former declining from 1,304,203 dozen in March to 1,142,481 dozen in April, a loss of 12.4 per cent, and the latter from 373,047 dozens in March to 270,153 dozen in April, a decrease of 27.6 per cent. Shipments amounted to 350,990 dozen as compared with 497,826 dozen in March, a falling off

of 29.5 per cent. Cancellations rose from 8,685 dozen in March to 15,029 dozen in April, an increase of 73.0 per cent.

SHOES AND LEATHER. The market for packer hides broadened considerably during the first three weeks of May. Sales at Chicago were heavier than in any preceding month of 1922, and prices registered an average increase of about 10 per cent. Offerings of country hides were of poor quality and sales were small. Demand for calf skins has increased in both Philadelphia and Chicago, but demand for goat skins continues to be very light and prices are at about the same level as in 1914. There has been a distinct slackening of activity among tanners both in the East and in the Middle West. Sales of belting leather and harness leather were well maintained during April and the first half of May, but business in shoe leathers and glove leathers is very dull. District No. 7 (Chicago) reports that such demand as exists for shoe leathers is for patent, glazed, black, and sport kinds for women's wear, and side leather, work shoe leather, and calf skins for men's shoes. In District No. 3 (Philadelphia) business in sole leather has been of only moderate size and some price cutting has developed, but an increase in exports has afforded some relief. Among the upper leathers, there is still an exceptionally large demand for patent, some improvement in sales of calf, but very poor demand for kid. Leather stocks continued to increase during April.

Shoe factories in District No. 8 (St. Louis) continue to operate at close to capacity, but production was curtailed during April in Districts No. 1 (Boston), No. 3 (Philadelphia), and No. 7 (Chicago). Eleven important interests in District No. 8 (St. Louis) are operating

factories at from 86 to 100 per cent of capacity, and have handled 32 per cent more business in the first four months of 1922 than in the corresponding period of 1921. Orders since May 1 in that District have been very satisfactory, and the proportion of forward orders has been increasing from week to week. The demand has been principally for staple goods, but sales of novelties are increasing and retail merchants are purchasing broader assortments. In District No. 7 (Chicago) production of 30 firms declined 5.4 percent in April as compared with March, and shipments declined 17.5 per cent, while unfilled orders increased 10.4 per cent and stocks increased 6.7 per cent. Eight large manufacturers in District No. 1 (Boston) reported a decline of 14 per cent in production during April. Shipments of five of these firms decreased 24 per cent as compared with March, and their net new orders were 6 per cent smaller. Orders of New England factories, however, showed considerable improvement in May, particularly in the case of women's shoes. Production and shipments of 45 firms in District No. 3 (Philadelphia) declined 14 per cent and 13.5 per cent, respectively, during April as compared with March, and new orders are only being obtained at reduced prices.

LUMBER. The lumber industry continues to show an improvement due to the increased building operations, and the regular spring demand which has been delayed this year. District No. 12 (San Francisco) reports that April production reached 95 per cent of estimated normal capacity, and there has been a slight increase so far in May. Production of 172 mills was 389,020,000 feet compared with 381,572,000 feet in March, and 253,506,000 feet in April, 1921, increases of 1.9

per cent and 53.4 per cent respectively. Orders were received for 494,687,000 feet of lumber, an increase of 5.8 per cent over March and of 67.9 per cent over April a year ago. Shipments during April totaled 424,725,000 feet compared with 420,108,000 feet in March and 266,361,000 feet in April, 1921. Unfilled orders at the close of April amounted to 426,940,000 feet compared with 378,346,000 feet on March 31st, and 249,529,000 feet on April 30, 1921. Logging operations are now proceeding at full capacity and demand for logs is reported greater than at any time during the past twelve months. The shingle branch of the lumber industry has been improving steadily, and the increased demand has advanced the price. Orders and shipments for 118 mills in District No. 6 (Atlanta) have increased from 247,852,100 feet and 238,332,788 feet in March to 371,414,028 feet and 322,668,386 feet respectively in April. Of 72 reporting mills, 58 were operating full time and six were operating four days a week, one mill three days, one mill two days and one mill one day. Production decreased from 296,272,361 feet in March to 282,528,795 feet in April. Production in District No. 11 (Dallas), which had shown a marked improvement in March, declined somewhat in April. Output is still below shipments, and is only 70.4 per cent of orders, while unfilled orders increased from 59,156,346 feet on March 31, to 70,787,500 feet at the end of April. Retail lumber sales in District No. 9 (Minneapolis) were 50 per cent larger in April than in March, and showed a slight increase over April last year. The increased demand has advanced the wholesale price and retail prices are firmer on all grades.

BUILDING. Building activity continued to increase during April and the value of contracts awarded in seven Federal Reserve Districts (compiled from statistics gathered by the F. W. Dodge Co.) amounted to \$322,630,241, as compared with \$264,651,165 in March. Increases were recorded in six of these seven Districts varying from 1 per cent in District No. 3 (Philadelphia) to 61 per cent in District No. 1 (Boston). There was a decline of 17 per cent in the value of contracts awarded in District No. 9 (Minneapolis). The value of residential building contracts increased in each of these seven Districts and amounted to \$125,873,456 in April, as compared with \$112,577,397 in March.

District No. 3 (Philadelphia) reports that building of residences still predominates in Philadelphia, although a number of contracts have been made for construction of large hotels and office buildings. The building activity in that District has resulted in a marked improvement in the brick industry. In District No. 5 (Richmond) residential building has resulted in a rather general decline of rents. Reports indicate that a considerable volume of industrial building has commenced in District No. 8 (St. Louis), and some shortage of skilled labor in the building trades has developed. In District No. 11 (Dallas), construction for both residential and business purposes is proceeding on a large scale.

EMPLOYMENT. In New England the textile strike accounts for 40,000 unemployed while the coal strike is directly or indirectly responsible for the idleness of many thousands of workers in various

parts of the country. Involuntary unemployment is, however, steadily diminishing and that fact is emphasized in all the reports that have been received. Although the figures of the United States Bureau of Labor Statistics show a fractional percentage loss, they probably do not adequately reflect the extent of the general improvement as the statistics are based upon returns from large employers of labor located in industrial centers. Naturally at this season of the year much of the gain is due to increased opportunities for outdoor employment. The great gain in building activity has afforded especial opportunities not only to workers in the building trades but in allied industries.

The New York State Department of Labor reports a slight loss in numbers employed in factories during the month of April as compared with March. In District No. 3 (Philadelphia) there has been a decided improvement in the employment situation according to the Pennsylvania State Department of Labor. On May 15 there were 139,280 unemployed in the six cities of Altoona, Harrisburg, Johnstown, Philadelphia, Scranton and Williamsport, a decrease of 10.1 per cent as compared with two weeks ago and of 23.2 per cent as compared with April 15. The reports from District No. 5 (Richmond) are particularly encouraging and it is stated that actual shortages of labor are apparent in certain localities. The Public Employment Bureau of Richmond reported that during April more positions were open in the men's division than during any month since October 1920. The special inquiry into employment conditions conducted by the Federal Reserve Bank of Chicago covered establishments employing 124,295 workers at the end of April, a total which was 1 per cent in excess of the figure for the preceding month. The decreases were confined mainly to food

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stuffs, knit goods, wearing apparel and the leather industries while metals, machinery and construction industries improved. In Districts No. 9 (Minneapolis), No. 10 (Kansas City), and No. 12 (San Francisco) the resumption of mining operations in copper, zinc and lead areas have given employment to considerable numbers of miners, while farm labor and construction work have likewise created an active demand. For example, in Arizona, Idaho, Nevada and Utah, as stated in the report from District No. 12 (San Francisco), employment is greater than at any time during the past year. This improvement is "largely due to renewed activity in the mining sections of those states and to an increased demand for seasonal agricultural labor. Four of the largest mining companies in the Globe-Miami copper mining district of Arizona reported an increase of 44 per cent in the number of employees on their pay roll on May 1 as compared with April 1."

WHOLESALE TRADE

Percentage of increase (or decrease) in net sales in
April, 1922 as compared with the preceding month
(March, 1922)

District No.	Groceries		Dry Goods		Hardware		Boots & Shoes	
	Per-centage	Number of Firms	Per-centage	Number of Firms	Per-centage	Number of Firms	Per-centage	Number of Firms
2	-16.6	42	-24.3	6	-0.1	11	-26.2	9
3	-14.2	48	-20.9	15	7.3	26		
4	-12.7	24	-14.7	13	0.9	12		
5	-10.0	45	-16.1	15	6.7	18	-3.4	18
6	-13.8	31	-13.2	20	-8.6	20	-4.5	9
7	-13.2	39	-17.1	11	7.8	20	5.8	9
8	-12.1	51	-20.1	6	9.0	16	-3.5	5
10	-10.2	9	-8.8	7	-3.6	8		
11	-9.3	12	-8.0	11	1.7	12		
12	-11.7		-9.6		2.9		-9.6	

Percentage of increase (or decrease) in net sales in
April 1922 as compared with April 1921.

2	-5.7	42	-29.5	6	-6.8	11	-17.2	9
3	-16.9	48	-26.0	15	-8.8	26		
4	-17.8	24	-19.7	13	-13.0	12		
5	-9.2	45	-17.7	15	-9.2	18	-19.2	18
6	-15.9	31	-3.3	20	-6.0	20	23.8	9
7	-13.2	39	-13.0	11	1.0	20	-5.4	9
8	-6.0	51	-28.1	6	-15.4	16	-13.3	5
10	-14.2	9	-4.1	7	-2.8	8		
11	-8.3	12	-10.7	11	-4.4	12		
12	-6.5		-11.2		1.1		-18.5	

With the exception of hardware, the increases in sales shown during the month of March by reporting wholesale firms have been followed by fairly heavy decreases. In some Districts the coal strike has had an unfavorable effect upon sales but it is not possible to say how great a factor the strike has been, since sales would naturally recede at this season of the year. In the case of hardware lines, purchases of agricultural implements, fencing and builders' hardware probably explain those

increases that have occurred. Reports from the southern and western sections of the country indicate that impassable roads and flood conditions in certain areas have been unfavorable factors which have helped to bring about a somewhat more than seasonal recession in sales.

RETAIL TRADE. Generally throughout the country retail establishments report decided improvement in business during the month of April. This is reflected by substantial increases in many cases in the ratio of April sales to those a year ago, and in other cases by smaller decreases than occurred for previous months. Most of the unfavorable reports come from coal mining fields and cotton centers where strikes are in effect, or from sections affected by high water. The lateness of Easter and the bad March weather postponed a large part of the spring buying until April. After the middle of the month, the volume of sales tended to diminish, but further reductions of prices and introductory sales of summer goods prevented any very marked decrease. As compared with this time last year, prices in the first four months of 1922 show a much greater decrease in most Districts than do sales.

Reports from 461 department stores in the United States showed a decrease of 0.6 per cent in sales for the month as compared with April, 1921. District No. 3 (Philadelphia) figures were most favorable, increasing 5 per cent, while trade in District No. 11 (Dallas) suffered the greatest decrease, namely 11.1 per cent. The majority of Districts had larger stocks on hand at the close of April than they had either a year or a month ago, but in all cases the net change was small. Due to the increased sales, the rate of stock turnover naturally shows an increase. The policy of hand-to-mouth buying apparently continues, for

the percentage of outstanding orders at the close of the month to purchases for the year 1921 has been gradually decreasing since the opening of the present year.

PRICES. Not only did the price index of the Federal Reserve Board gain two points in April, reaching 148, but there appear to have been further general price advances in May. Corn, oats and wheat have risen decidedly while slight increases have occurred in the case of cattle, hogs and sheep. There has been a recent marked advance in the price of mutton. There were also increases in raw cotton and in cotton yarn and cloth. In the case of the two latter commodities, decreased output due to strikes would partly explain the upward movement. Wool yarns are reported firm while prices of raw wool have been moving steadily upward. A sharp increase in coal prices has already occurred as the result of the strike and pig iron is also much higher. As regards the nonferrous metals, lead and copper prices have risen, while zinc remains substantially unchanged.

FOREIGN TRADE. Exports from the United States in April declined slightly in value as compared with March, while imports showed a more decided falling off. The figures are \$321,000,000 for exports and \$217,000,000 for imports, the excess of exports over imports therefore being \$104,000,000, which is larger than the excess reported for any month since last October. The movement of specie during April was on a much reduced scale, net imports of gold being only \$10,700,000, in contrast with \$32,500,000 in March and \$80,300,000 in April, 1921.

So far as quantities of commodities are concerned, the Federal Reserve Board's foreign trade index shows practically no change in the average quantities of goods exported during April compared with the previous month, but the index for imports dropped from 206.5 in March to 169.1 in April, a decline of 18 per cent.

FEDERAL RESERVE BOARD
GOLD SETTLEMENT FUND

X-3420
Washington, D. C.
May 26, 1922.

Summary of transactions for period ending May 25, 1922.

(CONFIDENTIAL)

Federal Reserve Bank of	Balance last statement May 18, 1922.	Gold Withdrawals	Gold Deposits	Aggregate withdrawals and transfers to Agent's fund	Aggregate deposits and transfers from Agent's fund	TRANSFERS	
						Debits	Credits
Boston	\$ 22,297,476.88	\$ 747,035.00	\$ 500.00	\$ 747,035.00	\$ 500.00	\$ 4,000,000.00	\$ -
New York	127,454,336.28	1,326,545.00	3,029,000.00	1,326,545.00	3,029,000.00	-	-
Philadelphia	44,158,019.12	821,748.50	6,500,900.00	821,748.50	6,500,900.00	-	-
Cleveland	48,176,630.91	1,374,318.00	2,400.00	1,374,318.00	2,400.00	3,000,000.00	-
Richmond	42,082,286.56	1,072,300.00	100,000.00	11,072,300.00	100,000.00	-	-
Atlanta	27,456,536.18	668,260.50	-	668,260.50	-	-	1,000,000.00
Chicago	64,577,235.25	954,575.50	-	954,575.50	-	-	-
St. Louis	5,275,695.79	745,300.00	4,000,000.00	745,300.00	6,000,000.00	-	4,000,000.00
Minneapolis	28,030,069.01	384,425.00	-	384,425.00	-	-	-
Kansas City	27,342,612.10	671,750.00	2,001,300.00	2,671,750.00	2,001,300.00	-	1,000,000.00
Dallas	17,432,804.27	880,675.00	1,000,300.00	880,675.00	1,000,300.00	-	1,000,000.00
San Francisco	28,107,944.70	875,900.00	7,501,300.00	3,875,900.00	12,511,800.00	-	-
Total	\$ 482,391,647.05	\$ 10,522,832.50	\$ 24,135,700.00	\$ 25,522,832.50	\$ 31,146,200.00	\$ 7,000,000.00	\$ 7,000,000.00

Federal Reserve Bank of	Settlements from May 19, 1922 to May 25, 1922 inclusive.				Balance in fund at close of business May 25, 1922.	Summary of changes in ownership of gold by banks through transfers and settlements.	
	Net Debits	Total Debits	Total Credits	Net Credits		Decrease	Increase
Boston	\$ -	\$ 110,165,678.56	\$ 116,201,845.65	\$ 6,036,167.09	\$ 23,587,108.97	\$ -	\$ 2,036,167.09
New York	-	426,722,554.69	437,911,967.27	11,189,412.58	140,346,203.86	-	11,189,412.58
Philadelphia	-	123,340,765.23	129,896,851.10	6,556,085.87	56,393,256.49	-	6,556,085.87
Cleveland	2,829,821.20	122,579,816.71	119,749,995.51	-	40,974,891.71	5,829,821.20	-
Richmond	1,034,112.11	101,608,598.83	100,574,486.72	-	30,075,874.45	1,034,112.11	-
Atlanta	1,780,951.92	48,239,783.40	46,458,831.48	-	26,007,323.76	780,951.92	-
Chicago	-	227,391,175.90	237,279,970.57	9,888,794.67	73,511,454.42	-	9,888,794.67
St. Louis	9,489,352.62	118,734,156.84	109,244,804.22	-	5,041,043.17	5,489,352.62	-
Minneapolis	7,098,330.04	33,583,890.33	26,485,560.29	-	20,547,313.97	7,098,330.04	-
Kansas City	2,295,988.98	87,964,842.86	85,668,853.88	-	25,376,173.12	1,295,988.98	-
Dallas	5,925,197.32	48,713,114.47	42,787,917.15	-	12,627,231.95	4,925,197.32	-
San Francisco	3,216,706.02	58,956,829.74	55,740,123.72	-	33,527,138.68	3,216,706.02	-
Total	\$ 33,670,460.21	\$ 1,508,001,207.56	\$ 1,508,001,207.56	\$ 33,670,460.21	\$ 488,015,014.55	\$ 29,670,460.21	\$ 29,670,460.21

FEDERAL RESERVE AGENTS' FUND

X-3420a
Washington, D. C.
May 26, 1922.

Summary of transactions for period ending May 25, 1922.

(CONFIDENTIAL)

Federal Reserve Agent at	Balance last statement May 18, 1922.	Gold Withdrawals	Gold Deposits	Withdrawals for transfers to bank	Deposits through transfers from bank	Total Withdrawals	Total Deposits	Balance at close of business May 25, 1922.
Boston	\$ 118,000,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 118,000,000
New York	401,000,000	-	-	-	-	-	-	401,000,000
Philadelphia	144,389,260	-	-	-	-	-	-	144,389,260
Cleveland	150,000,000	-	-	-	-	-	-	150,000,000
Richmond	40,795,000	-	3,000,000	-	10,000,000	-	13,000,000	53,795,000
Atlanta	91,000,000	2,000,000	2,000,000	-	-	2,000,000	2,000,000	91,000,000
Chicago	330,644,500	5,000,000	10,000,000	-	-	5,000,000	10,000,000	335,644,500
St. Louis	58,800,000	2,000,000	-	2,000,000	-	4,000,000	-	54,800,000
Minneapolis	16,000,000	-	-	-	-	-	-	16,000,000
Kansas City	44,360,000	2,000,000	1,000,000	-	2,000,000	2,000,000	3,000,000	45,360,000
Dallas	10,000,000	-	-	-	-	-	-	10,000,000
San Francisco	185,253,500	-	-	5,010,500	3,000,000	5,010,500	3,000,000	183,243,000
Total	\$ 1,590,242,260	\$ 11,000,000	\$ 16,000,000	\$ 7,010,500	\$ 15,000,000	\$ 18,010,500	\$ 31,000,000	\$ 1,603,231,760

F E D E R A L R E S E R V E B O A R D

STATEMENT FOR THE PRESS

For release in afternoon papers,
Friday, June 2, 1922.

CONDITION OF THE ACCEPTANCE MARKET

The reports of most Federal Reserve Banks indicate an increase in the activity of the acceptance market. Both purchases and sales of bills increased considerably as compared with previous periods. District No. 3 (Philadelphia) and District No. 7 (Chicago), in which the largest increases occurred, report: "For the month ending May 10 the amount of acceptances executed was \$3,274,000; for the month ending April 10, \$3,097,000, and for that ending February 10, \$2,365,000. (Philadelphia)."

"Average weekly purchases in this period reported by dealers to this bank, amounted to \$7,660,000 as compared with \$2,275,000 in the preceding five weeks, while average weekly sales increased from \$2,797,000 to \$7,922,000. (Chicago)." District No. 12 (San Francisco) reports an increase of 42 per cent in acceptances bought over the previous period.

The market in District No. 1 (Boston) was somewhat spotty at the beginning of the reporting period but showed signs of

improvement towards the end of April. The rate of $3-1/8$ per cent prevailing in Boston failed to induce country bankers to purchase bills. This rate could not have been held except for buying from special sources in New York and Chicago. At the end of the period dealers increased the selling rate for bills from $3-1/8$ to $3\frac{1}{4}$ per cent and raised the buying rate to $3-3/8$ per cent. The latter rate however could not be maintained, as no new bills were offered, and so it went back to $3\frac{1}{4}$ per cent.

District No. 2 (New York) shows the same tendency as Boston. At the beginning of the period both demand and supply were dull but showed considerable improvement towards the end. At the beginning dealers offered at $3-3/8$ per cent and were bidding $3\frac{1}{2}$ per cent. Towards the end of the period, however, as new bills became scarce, they bid $3\frac{1}{4}$ per cent and offered at $3-1/8$ per cent. The comparative scarcity of the supply of bills is partly due to the inclination of banks to hold their own acceptances in view of comparatively easy money. As in previous periods foreign owned monies continued to increase the demand for bankers' bills

A decline in the amount of acceptances executed is reported by the Federal Reserve Banks of Districts No. 6 (Atlanta), No. 8 (St. Louis) and No. 11 (Dallas). District No. 4 (Cleveland) reports a dull market with small supply and slight demand throughout the entire period. The decrease in the amount of acceptances

in Districts No. 6 (Atlanta) and No. 11 (Dallas) is mainly due to the decline in the volume of bills based upon domestic shipments. In Atlanta domestic acceptances decreased 24.6 per cent while foreign acceptances declined only 7.2 per cent as compared with the previous period.

The preference for maturities varied, 90 day bills being in heaviest demand. Districts No. 7 (Chicago) and No. 12 (San Francisco) show the following range of maturities:

	<u>30 day</u>	<u>60 day</u>	<u>90 day</u>	<u>120 day</u>	<u>Total</u>
Chicago	11%	15%	56%	16%	100%
San Francisco	19.6	11.5	58.5	10.4	100%

The prevailing rates in Districts No. 2 (New York) No. 4 (Cleveland) and No. 7 (Chicago) were as follows:

Rates on prime bills		<u>Range during period</u>		<u>Close</u>	
		Bid	Offered	Bid	Offered
No. 2 (New York)	30-day maturity)				
	60 " ")	$3\frac{1}{4} - 3\frac{3}{8}$	$3-1/8 - 3-3/8$	$3\frac{1}{4} - 3-3/8$	$3-1/8$
	90 " ")				
	120 " ")	$3-3/8-3-5/8$	$3-1/8-3-3/8$	$3-3/8 - 3\frac{1}{2}$	$3-1/8 - 3\frac{1}{2}$
	150 " ")				
180 " ")					
No. 4 (Cleveland)	30-day maturity)				
	60 " ")	$3\frac{1}{4} - 3-7/8$	$3-1/8 - 3\frac{3}{4}$	$3\frac{1}{4}$	$3-1/8$
	90 " ")				
	120 " ")				
	150 " ")	$3\frac{1}{4} - 3-7/8$	$3-1/8 - 3\frac{3}{4}$	$3\frac{1}{4}$	$3-1/8$
180 " ")					
No. 7 (Chicago)	30-day maturity)				
	60 " ")	$3\frac{1}{4} - 3\frac{1}{2}$	$3-1/8 - 3-3/8$	$3\frac{1}{4} - 3-3/8$	$3-1/8$
	90 " ")				
	120 " ")				
	150 " ")	$3\frac{1}{4} - 3\frac{1}{2}$	$3-1/8 - 3-3/8$	$3\frac{1}{4} - 3\frac{1}{2}$	$3-1/8 - 3\frac{1}{2}$
180 " ")					

059

FEDERAL RESERVE BOARD

WASHINGTON

X-3422
May 27, 1922.

SUBJECT: Decision in Richmond Par Clearance Case.

Dear Sir:

There is transmitted herewith, for your information, a copy of the decision by the Supreme Court of the State of North Carolina in the case of the Farmers and Merchants Bank, et al, v. the Federal Reserve Bank of Richmond.

Very truly yours,

G o v e r n o r .

(Enclosure)

TO CHAIRMEN OF ALL F.R.BANKS.

NORTH CAROLINA SUPREME COURT - Spring Term 1922 - #419 Union.

Farmers and Merchants Bank et als

v.

Federal Reserve Bank of Richmond, Va.

Appeal by defendants from Webb, J. Feb. Term 1922 of Union.

This action was brought by thirteen banks and trust companies organized under the laws of this State which are not members of the Federal Reserve System, against the Federal Reserve Bank of Richmond, Va., to obtain an injunction to prevent the Federal Reserve Bank from refusing to accept exchange drafts drawn by the plaintiffs on their reserve deposits for less than the face amount of checks presented, and from returning as dishonored checks drawn by various depositories upon the plaintiff banks which had been presented at their counters by the Federal Reserve Bank of Richmond but for which the plaintiffs had tendered drafts for less amounts drawn by them upon their respective reserve depositories. A temporary restraining order was awarded in accordance with the prayer of the complaint. The action having been brought by said banks for the benefit of themselves and such other like institutions who might join in the suit and the restraining order providing that all such institutions might become plaintiffs in the action and have the benefit of said restraining order, some 265 state banks and trust companies have become parties plaintiff as appears from the record.

By agreement between counsel, trial by jury was waived and by consent the judge found the facts and upon the said finding of the facts adjudged:

(1) That the defendant, Federal Reserve Bank of Richmond, is hereby enjoined from refusing to accept exchange drafts when tendered by the

plaintiff banks in payment of checks drawn on them under the option given said banks under provisions of Chapter 20 Laws N. C. ratified 5 Feb. 1921;

(2) The said defendant is hereby enjoined from returning as dishonored any check, payment for which in exchange drafts by plaintiff banks or either of them, has been tendered under the provisions of said act and the defendant refuses to accept the same;

(3) The said defendant is likewise enjoined from protesting for non-payment any check, payment for which in exchange drafts by plaintiff banks, or either of them, has been tendered under the provisions of said Act and defendant refuses to accept the same;

(4) The said defendant is likewise enjoined from publication or authorizing the publication of the name of any of the plaintiff banks, literally or by inclusion, in any list or other publication designed for circulation among banking institutions generally, regardless of the name employed to designate such list or publication unless and until the bank thus published or included shall have previously given its consent to such publication.

Appeal by the defendant.

Alex W. Smith and Stack, Parker & Craig for plaintiffs.

Connor & Hill, Henry W. Anderson, M. G. Wallace and C.W. Tillet, Jr. for defendant.

Clark, C. J. The defendant, Federal Reserve Bank of Richmond, is a banking corporation duly organized under the Act of Congress and especially under a certain Act known as the Federal Reserve Act. It is one of the 12 Federal

Reserve Banks which were organized under the terms of that Act and does business in accordance therewith, especially with the National banks and State member banks in the Fifth Federal Reserve District, which consists of a portion of the State of West Virginia, the whole of Maryland, the District of Columbia, Virginia, North Carolina and South Carolina. Under the terms of this Act, the member banks, which are the National banks in the above mentioned district and also certain State banks therein, which have qualified for and been admitted to membership in the Federal Reserve System, are required to keep and maintain with the Federal Reserve Bank of Richmond certain balances as reserves. The member banks create these balances by sending to the Federal Reserve Bank for collection checks or other instruments which they have received on deposit or for collection.

Since the business of all banking institutions consists largely in the handling of checks, it is clear that if the Federal Reserve Bank is to discharge efficiently its function as a reserve depository of its member banks, it must be able to collect their checks and other instruments which are the ordinary means of making settlement of accounts and transmitting funds. When the Federal Reserve Banks were first organized they were not expressly empowered to accept for collection any check unless it was drawn upon a member bank or other Federal Reserve Bank. Since member banks receive checks not only upon other member banks but also upon non-member banks, and since the member banks which include most of the larger banks of the country, acted as agencies through which the non-member banks collected checks which they had received, it soon became evident that if the Federal Reserve Banks undertook to collect checks upon their member

banks but could not collect for member banks checks upon non-member banks, a vast majority of checks upon member banks would pass through the Federal Reserve Banks while checks on non-member banks would be collected through other agencies.

As the amount of the checks which any bank receives upon others and the amount of checks upon itself which it is compelled to pay, will usually be about the same, if a Federal Reserve Bank could handle all checks upon member banks but could receive from member banks only a portion of the checks which they themselves receive, in the course of time the flow of checks would be unequal and the member banks would be placed at a great disadvantage in their efforts to maintain proper reserves. As a consequence, Congress by the Act of 7 Sept. 1916 and of 21 June 1917, amended Sec. 13 of the Federal Reserve Act and authorized any Federal Reserve Bank to receive for collection from its member banks "checks and drafts payable upon presentation in its district", thus removing any limitation upon the power of the Federal Reserve Bank to receive checks. From the very nature of a check no person is obliged to consider the drawee, or person upon whom it is drawn, before receiving it either as a holder or as an agent for collection.

Under the law before the last mentioned amendment to the Federal Reserve Act, Federal Reserve Banks were required to receive checks upon member banks for collection at par, and were, therefore, compelled to require member banks to pay them the full face amount of all checks received. It is obvious that if member banks were compelled to pay the

full face amount for all checks handled through the Federal Reserve Banks but such banks could not require non-member banks to pay the full face amount on checks drawn upon them, a great inequality would result because non-member banks would, through the agency of their member bank correspondents, collect all checks upon any member bank at par; but would not pay to member banks checks drawn upon themselves at par. With this in view, Congress expressly provided by the amendment of 21 June 1917 that "no charge for the payment of the checks and drafts and the remission therefor by exchange or otherwise shall be made against the Federal Reserve Bank".

In exercise of the power thus conferred, the Federal Reserve Bank of Richmond undertook to make arrangements with all non-member banks in its district under which they would agree to remit at par for all checks which the Federal Reserve Bank received upon them. Prior to this time, it had been the custom of many small banks, especially those located in remote sections and thus free from competition, to refuse to remit the full face amount for checks drawn upon them which were sent through the mails, but they insisted that inasmuch as the check called for payment in money at their counters and not for a remission by draft or otherwise, they could refuse to pay any check until it was presented at their counters and that, therefore, if they undertook to remit for checks sent them by means of an exchange draft, they could, in consideration of their waiver of direct presentation demand a discount and remit not the full face amount of checks, but some lesser sum. This is called an exchange charge for remitting for

checks. The amount of this charge or discount exacted in consideration of payment by draft rather than in cash varied, but usually ran from $1/10$ to $1/4$ of 1% upon the amount of all checks so paid.

Many non-member banks refused to make any agreement to pay the Federal Reserve Bank at par for checks sent them for collection through the mails. The Federal Reserve Bank of Richmond was prohibited by the Federal Reserve Act from permitting any discount to be deducted from the face amount of checks which it held for collection. It sent representatives to the non-member banks in N. C. urging them to agree to remit at par, explaining that it believed that such practice would be for the mutual convenience of both parties and that an insistence by the non-member banks on their strict legal right to have a check presented for payment at their counters and to pay the same only in legal money would be an inconvenient and expensive method of dealing, not only to the Federal Reserve Bank of Richmond, but also to the non-member banks. The non-member banks were at the same time also notified that if they should insist upon their legal right to require a presentation at their counters of all checks drawn upon them when handled by a Federal Reserve Bank, the Federal Reserve Bank would be compelled to present the checks at their counters by means of duly authorized agents but if compelled to take this course the Federal Reserve Bank would, after such presentation, refuse to waive its right to insist upon payment in legal tender money.

The Federal Reserve Bank made arrangements with certain residents of the towns in which various non-member banks were situated to collect checks as its agents by means of personal presentation or it sent an employee to such town to act as its agent.

On 15 November 1921, the Federal Reserve Bank of Richmond gave notice that it would collect checks upon all non-member banks in N. C. by sending them through the mail if the bank would agree to pay the full amount due upon the checks, or by personal presentation by the agent if the non-member bank refused to pay the full face amount of the check unless presented personally at its counter.

The Legislature of N. C., Laws 1921, Chapter 20, authorized State banks in N. C. to charge a fee not in excess of $1/8$ of 1% on remittances covering checks, or a minimum fee of 10¢ and provided that in the event a Federal Reserve Bank, post office, or express company should present checks at the counters of the drawee bank and demand payment in cash, such drawee bank should be permitted to pay by means of a draft drawn upon its exchange deposit, excepting, however, checks payable to the State or to the Federal Government and checks upon which the drawer had expressly designated to the contrary. The defendant bank, being advised that this statute was unconstitutional, presented the checks at the counter of the drawee bank, demanding the full amount due and returned the checks as dishonored when payment in full was refused. In returning checks which had been so presented, the Federal Reserve Bank of Richmond was careful to state that the check had been duly presented and that payment in money at its face amount had been demanded but had been refused as the drawee bank claimed

the right to discharge its obligation by its own draft.

The plaintiffs in this proceeding sought to restrain the Federal Reserve Bank of Richmond, from returning any check presented under these circumstances and to require it to accept an exchange draft from the plaintiffs when any check had been thus presented to them regardless where such exchange draft was payable or whether or not the payment of it could be indefinitely postponed, as suggested in the argument, by a succession of such exchange drafts.

The plaintiffs, however, in addition to the economic effect of the Federal statute which forbids the payment by the Reserve Bank of a charge for collection of checks thus forcing, as they claim, all collection to be made through the Federal Reserve Banks who can thus collect without charge, made the further allegation that the defendant was undertaking to coerce the non-member banks to abandon their right to charge for remitting for collections of checks upon them by saving up checks over a considerable period of time until they reached a large amount and then demanding them at the counter with the probable effect of driving the bank into liquidation.

We need not consider this allegation which was not only denied by the defendant but which the court has found as a fact to be untrue, and the plaintiffs have taken no exception to such finding. It would be unnecessary to notice this proposition but that such conduct was condemned by Mr. Justice Holmes in the case of the American Bank & Trust Co. v Federal Reserve Bank of Atlanta, opinion filed 16 May 1921. That decision was rendered upon a demurrer on which, of course, the court

assumed that all the allegations of the bill and all reasonable inferences from them were true. The finding of fact on the trial in the present case, eliminated this question entirely from our consideration.

The record and briefs in this case are voluminous and the argument has been very elaborate and able as the importance of the case demanded.

The Federal Reserve Bank under the provisions of the Federal Statute has the right to receive for collection a check drawn upon a non-member bank, or upon any other person within its district under the clear unmistakable terms of the act.

The amendment made 21 June 1917 to Sec. 13 of the Federal Reserve Act provides: "No charge for the payment of the checks and drafts and the remission therefor for exchange or otherwise shall be made against the Federal Reserve Banks".

The real question, therefore, presented for us is whether the Legislature of N. C. can by the Act above mentioned, Chap. 20 Laws 1921, interfere with this provision or regulation of the Federal corporation by a valid Act of Congress by providing that a state bank need not pay its obligations in lawful money when checks, which upon their face are unconditional orders for the payment of money, are presented by Federal Reserve Banks.

The question may be presented concretely by this homely illustration. Suppose a farmer or merchant or other citizen of this State should send his check for \$1,000, drawn on a bank in this State, in payment of a purchase of goods or other article, to New York. The person receiving it would place this check, in the ordinary course of business, to his credit in some bank in that city, which bank in ordinary usage would sometimes charge for collection a small sum based upon the interest for the time usually occupied

in sending the check to the bank here and the return of the collection to the bank in New York. As to this charge, which is a matter between the depositor and his bank, there is no controversy here. When such check is sent to this State it has been not unusual heretofore, for the bank here to make its remittance by exchange on New York and to charge a fee for the service but since the amendment to Sec. 13 of the Federal Reserve Bank Act of 21 June 1917, if such check from New York is remitted through the Federal Reserve Bank no charge can be made for exchange in remitting the proceeds and if the bank here should remit anything less than the face of the check, \$1000, to the Federal Reserve Bank, the Federal Reserve Bank in observance of the provisions of the above amendment to Sec. 13 will refuse to accept it as payment and notify its correspondent in New York why the check has been protested for non-payment. The plaintiffs complain that the result is that all checks will be sent for collection through the Federal Reserve Banks system but that is an economic result with which this court has nothing to do. This may or may not have been the intention of Congress in making the amendment but the Federal Reserve Bank Act has been held valid and the amendment of 1917 was a valid regulation over the corporation created by it which Congress had the power to make. Conceding that Congress cannot require the bank here to remit without charge for its trouble, Congress by forbidding the charge prevents the Reserve Bank from allowing such charge (and the total of such charges if made throughout the Country would amount to \$135,000,000 annually) and the Reserve Bank has no alternative except to demand payment of the face amount over the counter in legal tender from which no state can release the payee bank without violation of the U. S.

Constitution, and of its obligation to the drawer and the destruction of its business by the protests of the checks of its customers.

The statute of N. C., Chapter 20, 1921, was intended for the benefit of the State banks in this State, by authorizing them to continue to charge exchange for remitting collection of checks presented to them for payment, by sending their own checks for less than the face amount of the check sent here for collection, but however desirable that policy may be, it is clearly in conflict with the valid constitutional provision of the Federal statute. No Act of this State can authorize the drawee bank to pay less than the face amount of the check drawn upon it by its depositor or to remit its check in payment or pay it otherwise than in legal tender money. Nor can it require that the Federal Reserve Bank shall pay a fee or that the bank here may remit less than the face value of the check when the Federal statute forbids such charge. It is true that the Federal Reserve Bank as holder of the check has no contract rights with the drawee bank until the check is presented but as holder it can require payment of the face amount on the check in legal tender and under the Act of Congress it cannot pay a deduction from that face value by accepting a remittance to the Reserve Bank of a lesser amount. The Reserve Bank always encloses with the check sent to the payee bank a stamped and addressed envelope for the check to be remitted in payment, which must be for the face amount of the check sent.

The Federal statute, being a regulation of the Federal Corporation by Congress, the Act of this State authorizing the payee bank here to exact exchange is in direct conflict with the duty imposed upon the Federal Reserve Bank by the Act of Congress and the Reserve Bank acts within

its duty to observe the provision of the Federal Act by refusing to receive a check for less than the face amount of the check sent by it for collection. It is true it cannot enforce payment of the face amount except by personal presentation of the check at the counter of the payee bank but it has a right to refuse a check sent to it by the payee bank for less than the full face amount and to protest the check it has sent here for collection for non-payment. The matter then becomes one between the drawer of the check and the payee bank who refuses to pay it.

The U. S. Constitution, Art. VI, (Sec.2) provides that the Constitution of the U. S. and the laws made in pursuance thereof, "shall be the supreme law of the land; and the judges in every State shall be bound thereby, anything in the Constitution or laws of any State to the contrary notwithstanding". In the matter before us the Act of Congress which provides that no exchange shall be allowed by the Reserve Bank for remitting for the collection of any check by any bank is in direct conflict with the statute of this State authorizing the payee bank to remit a lesser amount than the face amount of any check paid by it if presented by the Federal Reserve Bank. In this conflict of authority, the Federal law is supreme. The injunction, therefore, was improvidently granted and the judgment must be REVERSED.

FEDERAL RESERVE BOARD
WASHINGTON

X-3423

May 31, 1922.

SUBJECT: Senate Bill 2653.

Dear Sir:

For your information there is enclosed herewith a copy of a letter addressed, by the Board, to the Chairman of the Banking and Currency Committee of the Senate expressing the Board's views with respect to Senate Bill 2653. A copy of the text of the bill is also enclosed herewith.

Very truly yours,

G o v e r n o r .

(Enclosures)

TO ALL FEDERAL RESERVE AGENTS.

X-3423a

COPY

May 27, 1922.

Hon. George P. McLean, Chairman,
Banking and Currency Committee,
United States Senate,
Washington, D. C.

My dear Mr. Chairman:

Receipt is acknowledged of your letter of May 13 requesting the views of the Federal Reserve Board as to Senate Bill 2653, which would amend Section 5201 Revised Statutes so as to authorize national banking associations to invest in the stock of safe deposit companies.

Under existing law national banks are permitted to receive valuables on deposit for safekeeping and to rent safe deposit boxes; but it appears that such business sometimes results in loss to the banks and that the purpose of this bill is to enable them to limit or segregate such losses by forming separate corporations for the purpose of carrying on this business.

The Federal Reserve Board approves of the purpose of the bill to permit national banks to organize separate corporations to carry on their safe deposit business; but the Board feels that the bill as drawn is ambiguous and is susceptible of a construction which would permit national banks to hold stock in corporations engaged in many other activities in addition to the business of receiving valuables on deposit for safekeeping and renting vaults, safes, and safe deposit boxes. It also contains some provisions which make it unnecessarily complicated and confusing. Thus, it contains a provision that no national bank shall purchase or hold shares of stock of any corporation except such as are authorized by the Federal Reserve Act, which is merely declaratory of existing law, and a provision requiring shares of stock of other corporations acquired by national banks in satisfaction of debts previously contracted to be disposed of within a certain time, which apparently has no relation to the holding of stock in safe deposit companies.

If, as it is assumed, the sole purpose of the bill is to enable national banks to purchase and hold stock in safe deposit companies, the Board feels that it would be preferable to enact a simpler form of bill having no other effect than that. It is suggested, therefore, that the last paragraph of the bill be stricken out and that the following be substituted in lieu thereof:

"Any national banking association may purchase and hold the stock of any corporation organized and existing under the laws of the State in which such association is located, which is doing business on

- 2 -

the premises on which the principal business of such association is conducted, and which is exclusively engaged in the business of receiving valuables on deposit for safekeeping and letting vaults, safes, and safe deposit boxes; Provided, that the purchasing and holding of such stock is first duly authorized by resolution of the board of directors of such association and by the written approval of the Comptroller of the Currency, stating the number and amount of the shares which the association may purchase and hold; Provided, further, that the Comptroller of the Currency may require any association to dispose of part or all of any such stock within a specified time, not less than six months after receipt of written notice from him, if in his judgment such action is necessary for the protection of such association or its stockholders or depositors".

This provision follows as closely as practicable the corresponding provision of Section 106 of the New York Banking Law which authorizes banks to purchase and hold stock of any safe deposit company organized and existing under the laws of the State of New York. It would be more logical to insert this provision in Section 5136 of the Revised Statutes, which defines the corporate powers of national banks; but it probably would be easier to substitute it for the last paragraph of Senate Bill 2653, since that bill is already before the Committee.

Yours very truly,

(Signed) W. P. G. Harding.

G o v e r n o r .

COPY

X-3423b

67th Congress,
1st Session.

S. 2653.

IN THE SENATE OF THE UNITED STATES.

October 20 (calendar day, NOVEMBER 1), 1921.

Mr. Wadsworth introduced the following bill; which was read twice and referred to the Committee on Banking and Currency.

A BILL

To amend section 5201 of the Revised Statutes to authorize national banking associations to invest in the stock of safe-deposit companies, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the following paragraph be added to section 5201 of the Revised Statutes:

"That no association shall purchase or hold shares of stock of any corporation except such as are authorized by the Federal Reserve Act, or the stock of any safe-deposit company organized and existing under the laws of the State in which the association is located and doing business on the premises owned or leased by the association, unless the purchase of such shares of stock in any safe-deposit company shall be authorized by resolution of the board of directors of the association and formally approved by the Comptroller of the Currency: Provided, That the shares of stock of other corporations acquired by any association in satisfaction of debt previously contracted shall be disposed of as soon as sale can be effected at a price equal to the amount of the debt for which the shares were acquired, but in no event shall the shares so acquired be held longer than two years from the date of acquirement."

009

FEDERAL RESERVE BOARD

WASHINGTON

X-3424
(Superseding 627)

S i r :

You are hereby directed to proceed to

on business in connection with this Board, upon completion of which, unless otherwise directed, you will return to Washington, D. C.

While absent from Washington upon the discharge of the above described duty your actual necessary traveling expenses, and actual expenses for subsistence not to exceed \$5.00 per diem, will be paid from funds under the control of this Board.

In connection with the above travel you will be guided by Treasury Department Circular No. 127-1 "Travel Regulations".

Respectfully,

070

FEDERAL RESERVE BOARD

WASHINGTON

X-3425

June 1, 1922.

SUBJECT: New Clayton Act Forms.

Dear Sir:

There is being forwarded to you under separate cover, a supply of Form 94(e), which is a new form of statement of a private banker or banking firm to be submitted in connection with applications by private bankers for the permission of the Board to serve at the same time as director, officer, or employee of a member bank and not more than one other bank, banking association or trust company. This form is more appropriate for use by private bankers in making such statements than Form 94(a) which formerly was used for that purpose.

There are also being forwarded to you under separate cover supplies of the following forms which have been revised with a view of obtaining information which experience has proved to be material in considering applications for permission to serve two or more banks under the Kern Amendment to the Clayton Act and which frequently was not furnished on the old form:

Form 94. Application of director, officer or employee of a member bank for permission of the Federal Reserve Board to serve at the same time as director, officer or employee of not more than two other banking institutions under the Kern Amendment to the Clayton Act;

Form 94(a) Statement to be submitted in connection with such applications by each banking institution involved;

Form 94(b) Statement to be submitted by Federal Reserve Agent with reference to such applications.

These revised forms will immediately supersede the corresponding old forms.

Yours very truly,

Governor.

To all Federal Reserve Agents.

FEDERAL RESERVE BOARD
GOLD SETTLEMENT FUND

X-3426

Washington, D. C.
June 2, 1922.

Summary of transactions for period ending June 1, 1922.

(CONFIDENTIAL)

Federal Reserve Bank of	Balance last statement May 25, 1922.	Gold Withdrawals	Gold Deposits	Aggregate withdrawals and transfers to Agent's fund	Aggregate deposits and transfers from Agent's fund	TRANSFERS	
						Debits	Credits
Boston	\$ 23,587,108.97	\$ 582,500.00	\$ 1,000,000.00	\$ 582,500.00	\$ 1,000,000.00	\$ -	\$ -
New York	140,346,203.86	1,168,780.00	25,000.00	1,168,780.00	25,000.00	-	-
Philadelphia	56,393,256.49	692,730.00	2,000,400.00	2,692,730.00	2,000,400.00	-	-
Cleveland	40,974,891.71	1,188,765.77	2,010.04	1,188,765.77	2,010.04	-	-
Richmond	30,075,874.45	982,360.46	-	982,360.46	-	-	-
Atlanta	26,007,323.76	856,455.00	-	856,455.00	-	-	-
Chicago	73,511,454.42	878,811.00	2,001,700.00	878,811.00	2,001,700.00	-	-
St. Louis	5,041,043.17	556,050.00	-	556,050.00	8,000,000.00	-	-
Minneapolis	20,547,313.97	320,650.00	500.00	320,650.00	500.00	-	-
Kansas City	25,376,173.12	640,963.43	-	640,963.43	-	-	-
Dallas	12,627,231.95	637,150.00	-	637,150.00	-	-	-
San Francisco	33,527,138.68	1,055,700.00	3,002,200.00	3,555,700.00	4,698,700.00	-	-
Total	\$488,015,014.55	\$ 9,560,915.66	\$ 8,031,810.04	\$ 14,060,915.66	\$ 17,728,310.04	\$ -	\$ -

Federal Reserve Bank of	Settlements from May 26, 1922 to June 1, 1922 inclusive.				Balance in fund at close of business June 1, 1922.	Summary of changes in ownership of gold by banks through transfers and settlements.	
	Net Debits	Total Debits	Total Credits	Net Credits		Decrease	Increase
Boston	\$ -	\$ 84,289,459.53	\$ 86,075,366.89	\$ 1,785,907.36	\$ 25,790,516.33	\$ -	\$ 1,785,907.36
New York	26,352,397.80	360,903,423.51	334,551,025.71	-	112,850,026.06	26,352,397.80	-
Philadelphia	-	111,833,019.79	117,030,330.35	5,197,310.56	60,898,237.05	-	5,197,310.56
Cleveland	-	84,716,972.03	91,875,845.53	7,158,873.50	46,947,009.48	-	7,158,873.50
Richmond	-	83,208,472.48	92,034,228.51	8,825,756.03	37,919,270.02	-	8,825,756.03
Atlanta	-	38,799,505.87	42,439,241.11	3,639,735.24	28,790,604.00	-	3,639,735.24
Chicago	3,410,918.01	178,487,449.05	175,076,531.04	-	71,223,425.41	3,410,918.01	-
St. Louis	1,331,134.83	91,309,418.96	89,978,284.13	-	11,153,858.34	1,331,134.83	-
Minneapolis	-	28,814,094.63	29,685,174.74	871,080.11	21,098,244.08	-	871,080.11
Kansas City	-	65,523,994.41	69,954,931.50	4,430,937.09	29,166,146.78	-	4,430,937.09
Dallas	-	34,777,974.99	35,638,870.71	860,895.72	12,850,977.67	-	860,895.72
San Francisco	1,676,044.97	47,357,256.12	45,681,211.15	-	32,994,093.71	1,676,044.97	-
Total	\$ 32,770,495.61	\$1,210,021,041.37	\$ 1,210,021,041.37	\$ 32,770,495.61	\$491,682,408.93	\$ 32,770,495.61	\$32,770,495.61

FEDERAL RESERVE AGENTS' FUND

X-3426a
Washington, D.C.
June 2, 1922.

Summary of transactions for period ending June 1, 1922.

(CONFIDENTIAL)

Federal Reserve Agent at	Balance last statement May 25, 1922.	Gold Withdrawals	Gold Deposits	Withdrawals for transfers to bank	Deposits through transfers from bank	Total Withdrawals	Total Deposits	Balance at close of business June 1, 1922.
Boston	\$ 118,000,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 118,000,000
New York	401,000,000	-	-	-	-	-	-	401,000,000
Philadelphia	144,389,260	5,000,000	-	-	2,000,000	5,000,000	2,000,000	141,389,260
Cleveland	150,000,000	-	-	-	-	-	-	150,000,000
Richmond	53,795,000	3,000,000	-	-	-	3,000,000	-	50,795,000
Atlanta	91,000,000	1,500,000	500,000	-	-	1,500,000	500,000	90,000,000
Chicago	335,644,500	3,000,000	10,000,000	-	-	3,000,000	10,000,000	342,644,500
St. Louis	54,800,000	2,000,000	1,500,000	8,000,000	-	10,000,000	1,500,000	46,300,000
Minneapolis	16,000,000	-	-	-	-	-	-	16,000,000
Kansas City	45,360,000	-	-	-	-	-	-	45,360,000
Dallas	10,000,000	-	-	-	-	-	-	10,000,000
San Francisco	183,243,000	-	-	1,696,500	2,500,000	1,696,500	2,500,000	184,046,500
Total	\$ 1,603,231,760	\$ 14,500,000	\$ 12,000,000	\$ 9,696,500	\$ 4,500,000	\$ 24,196,500	\$ 16,500,000	\$1,595,535,260

672

RATIO OF DISCOUNTED BILLS HELD BY FEDERAL RESERVE BANKS TO THEIR DEPOSIT LIABILITIES
TOGETHER WITH THEIR RESERVE PERCENTAGES AS OF MAY 24, 1922.

Federal Reserve Bank	Total deposits	Discounted bills	Ratio of dis- counted bills to total deposits (Percent)	Member banks' reserve deposits	Ratio of dis- counted bills to member bank re- serve deposits (Percent)	Reserve percentages
Boston	127,614	24,416	19.1	123,595	19.8	76.0
New York	778,940	63,769	8.2	750,841	8.5	85.2
Philadelphia	112,969	50,128	44.4	105,881	47.3	76.8
Cleveland	144,230	50,110	34.7	138,061	36.3	69.5
Richmond	61,849	52,302	84.6	54,791	95.5	69.4
Atlanta	48,965	33,237	67.9	46,500	71.5	82.3
Chicago	261,597	67,393	25.8	252,284	26.7	76.0
St. Louis	74,230	21,049	28.4	69,747	30.2	72.0
Minneapolis	42,952	27,037	62.9	39,899	67.8	68.0
Kansas City	77,314	23,754	30.7	74,806	31.8	62.7
Dallas	46,695	31,408	67.3	44,902	69.9	64.3
San Francisco	139,821	42,637	30.5	121,435	35.1	73.4
TOTAL	1,917,176	487,240	25.4	1,822,742	26.7	77.5

C174

FEDERAL RESERVE BOARD
WASHINGTON

X-3429

June 3, 1922.

SUBJECT: Business Reporting Conference.

Dear Sir:

In confirmation of my telegram of this date, you are advised that the Board has called a conference, to be held in Washington on June 13th to 15th, to consider methods of promoting greater economy and efficiency in the statistical work and business reporting of the Federal Reserve Banks. You are requested to have your bank represented at this conference by some one directly in charge of or affiliated with the preparation of your monthly reports.

A copy of the program for this conference is enclosed herewith for your information and that of your representative.

Very truly yours,

G o v e r n o r .

(Enclosure)

TO AGENTS OF ALL F. R. BANKS.

BUSINESS REPORTING CONFERENCE

WASHINGTON, JUNE 13-15, 1922.

I. Joint Session with Federal Reserve Board

1. Opening address; - Board's views as to problems of reporting service.
2. Progress since last conference. H. P. Willis
3. Present position of district reports; interest of the banking and business community in the service. Results of special surveys made by Federal Reserve Banks.

II. Scope of Business Conditions Work

4. Ways and means of improving the business reporting service.
 - a. Interchange of data between districts
 - b. Development of data for specific industries. Relation to other reporting services, and furnishing data to them.
5. Centralization or division of special studies into given topics in order to avoid duplication.

III. Organization of the Service.

6. Organization of the statistical and reporting work within the Federal Reserve Banks.
7. Relation of the library service to the statistical service. Question of centralizing the reading and cataloging of current books, periodicals, etc. in order to avoid possible duplication by having the same work done in the several banks.
8. Information service in each bank. Scope and relation to other departments of the bank.
9. Distribution of the monthly business reviews, including -
 - a. Number issued
 - b. Size desired
 - c. Charge to be made, if any, for the report
10. Cost of the service.

IV. Editing and Supervision.

11. Central editing of business conditions reviews. How far needed and how long to be continued.

- 2 -

12. Correlation of the Federal Reserve Board's service with that of the individual Federal Reserve Banks.
 - a. Dates of publication, both of Bulletin and of Board's indexes.
 - b. Service rendered by the present telegraphic summary of business conditions.

13. Federal Reserve Bulletin.
 - a. Sections in Federal Reserve Bulletin which banks and their members have found particularly useful. Furnishing of Board's figures to the banks.
 - b. Adequacy of the present foreign service.

CWR

FEDERAL RESERVE BOARD

WASHINGTON

X-3430

June 6, 1922.

SUBJECT: 1921 Annual Report.

Dear Sir:

There has been forwarded to you today under separate cover a bound copy of the Annual Report of the Federal Reserve Board covering operations during the calendar year 1921.

Very truly yours,

Walter L. Eddy,
Assistant Secretary.

TO EACH GOVERNOR, F. R. AGENT,
AND BRANCH MANAGER.

1. Ratio of Federal Reserve notes in circulation to Members' Reserve Deposits (Percent),
and
2. Total Gold Holdings of each Federal Reserve Bank, 1917 to 1922.

(Amounts in thousands of dollars)

DATE	TOTAL		BOSTON		NEW YORK		PHILADELPHIA		CLEVELAND		RICHMOND		ATLANTA	
	1	2	1	2	1	2	1	2	1	2	1	2	1	2
<u>1917</u>														
Mar. 30	49.6	938,046	29.5	52,170	61.3	401,420	49.4	60,930	24.8	63,516	61.5	32,439	103.1	28,436
June 29	49.2	1,294,512	32.4	103,944	46.9	484,082	73.2	98,995	36.2	112,369	50.6	41,347	80.8	31,380
Sept. 28	61.6	1,408,470	48.9	72,266	60.5	567,235	71.4	100,365	50.9	107,962	74.5	51,413	119.0	40,557
Dec. 28	85.8	1,671,133	91.2	80,449	59.8	622,871	111.0	119,544	94.7	126,604	133.1	62,227	171.6	71,642
<u>1918</u>														
Mar. 29	96.9	1,815,704	101.7	115,560	71.5	643,470	136.6	145,954	123.1	163,889	136.4	53,988	145.7	64,531
June 28	110.6	1,949,021	136.0	130,084	73.4	809,189	169.8	144,735	146.9	188,793	178.0	55,965	156.9	62,256
Sept. 27	153.0	2,020,813	160.9	135,221	105.0	591,631	203.8	174,037	207.4	253,974	211.7	82,397	249.3	63,549
Dec. 27	169.2	2,090,274	168.4	114,000	107.9	590,749	251.2	142,658	222.4	197,505	262.8	88,020	278.4	67,303
<u>1919</u>														
Mar. 28	154.6	2,142,305	165.5	116,574	108.7	735,392	218.6	125,569	182.4	226,911	228.1	74,696	257.4	67,055
June 27	145.9	2,147,784	165.2	108,533	101.0	782,982	203.3	124,622	173.3	183,462	214.3	67,215	257.0	67,325
Sept. 26	153.4	2,117,854	191.3	142,086	107.8	640,130	198.4	129,732	192.8	214,671	199.7	73,153	285.2	65,989
Dec. 26	171.1	2,078,432	223.4	152,865	116.8	570,438	251.6	138,341	213.8	181,253	243.4	81,543	256.3	110,706
<u>1920</u>														
Mar. 26	163.2	1,934,755	229.1	165,752	113.5	504,689	242.6	140,539	229.5	194,015	211.5	75,990	261.7	94,816
June 25	170.1	1,969,375	237.9	214,304	115.3	513,612	240.4	155,396	231.6	221,239	215.1	70,593	264.1	75,445
Sept. 24	182.2	1,989,835	250.6	204,258	120.2	543,820	250.7	177,311	240.0	230,022	245.5	78,735	299.3	77,037
Dec. 30	191.2	2,059,333	249.7	206,836	124.7	466,267	263.4	201,232	240.9	285,200	273.6	88,164	362.3	84,092
<u>1921</u>														
Mar. 25	175.0	2,210,765	244.3	212,858	122.1	588,293	237.5	184,957	201.9	303,410	263.7	86,837	328.8	85,622
June 29	160.5	2,461,931	239.2	240,894	101.1	871,941	229.4	181,390	194.1	251,363	232.4	74,604	347.2	79,285
Sept. 28	150.2	2,725,966	219.7	246,898	94.6	1,028,479	215.5	210,654	171.2	241,747	223.8	65,751	299.9	63,463
Dec. 28	146.7	2,869,600	187.1	234,180	96.9	1,069,499	211.6	210,408	180.4	247,406	207.9	64,014	272.8	70,348
<u>1922</u>														
Mar. 29	127.7	2,975,355	140.2	172,896	91.4	1,119,313	184.5	218,529	145.2	258,892	171.2	73,352	234.6	116,016
May 31	120.2	3,007,621	127.3	187,176	86.8	1,150,504	175.7	220,903	141.0	237,122	157.2	99,681	253.9	131,431

1. Ratio of Federal Reserve notes in circulation to Members' Reserve Deposits (Percent),
and
2. Total Gold Holdings of each Federal Reserve Bank, 1917 to 1922.

(Amounts in thousands of dollars)

DATE	CHICAGO		ST. LOUIS		MINNEAPOLIS		KANSAS CITY		DALLAS		SAN FRANCISCO	
	1	2	1	2	1	2	1	2	1	2	1	2
<u>1917</u>												
Mar. 30	21.4	92,276	53.2	31,784	69.7	39,942	47.0	56,313	90.0	35,150	37.3	43,670
June 29	48.4	156,032	46.8	43,792	81.3	53,168	47.4	57,662	81.7	46,467	49.6	65,274
Sept. 28	60.8	191,414	61.1	42,770	79.0	51,294	40.0	70,475	104.5	42,358	49.2	70,361
Dec. 28	104.9	218,924	122.0	58,276	123.0	69,932	80.2	83,978	104.9	64,557	107.4	92,129
<u>1918</u>												
Mar. 29	113.1	257,381	118.8	77,235	131.9	68,398	91.2	84,395	105.4	41,088	114.1	99,815
June 28	142.0	222,932	136.3	65,499	149.2	44,891	113.2	63,114	90.1	30,600	185.7	130,963
Sept. 27	177.6	310,635	191.8	77,547	169.9	63,494	128.7	87,026	166.1	38,125	254.1	143,177
Dec. 27	197.5	418,172	211.5	98,695	200.8	86,525	165.4	92,600	181.8	34,123	274.9	159,919
<u>1919</u>												
Mar. 28	174.0	403,588	184.0	72,925	173.0	75,823	127.7	68,737	133.0	38,641	240.7	136,394
June 27	178.7	404,093	175.0	84,856	160.7	73,305	116.0	71,069	107.7	33,573	227.2	146,749
Sept. 26	180.9	443,185	180.7	76,415	151.5	77,038	111.2	68,429	117.7	35,099	220.2	151,927
Dec. 26	200.9	372,355	221.3	94,267	169.7	51,173	135.2	77,688	128.2	56,181	207.9	191,622
<u>1920</u>												
Mar. 26	189.7	314,510	193.8	71,907	146.1	62,274	114.5	82,670	121.4	61,013	185.9	166,580
June 25	210.3	295,252	191.7	72,272	174.0	48,842	118.1	72,745	161.0	48,917	192.3	180,758
Sept. 24	218.9	296,760	209.9	69,438	181.0	49,107	137.2	72,407	177.1	45,721	211.5	145,219
Dec. 30	228.2	294,389	208.1	82,883	182.5	48,447	150.1	71,961	178.2	43,281	240.3	186,581
<u>1921</u>												
Mar. 25	202.6	305,144	187.2	84,913	158.9	55,843	126.7	71,938	128.2	40,020	203.3	190,930
June 29	192.4	347,455	173.5	73,023	139.5	41,190	112.7	72,265	108.1	28,594	223.3	199,927
Sept. 28	186.8	421,144	169.7	80,595	145.8	40,395	113.9	68,116	96.6	28,958	204.2	229,766
Dec. 28	178.7	444,286	153.7	93,800	143.5	55,624	103.4	67,817	84.5	31,890	219.6	280,328
<u>1922</u>												
Mar. 29	159.1	446,084	120.2	99,044	122.0	69,965	86.3	77,632	61.5	40,609	189.5	283,023
May 31	145.6	460,000	104.1	75,629	110.5	65,374	75.5	83,960	59.8	43,553	185.3	252,288

080

FEDERAL RESERVE BOARD

WASHINGTON

June 8, 1922.

X-3432

SUBJECT: Claims for Fiscal Agency Reimbursement.

Dear Sir:

On May 8, 1922 the Board sent to all Federal Reserve Banks its letter (X-3396) on the subject of reimbursement by the Treasury Department of fiscal agency expenses incurred by the Federal Reserve Banks. The Board is in receipt today of a letter from the Under Secretary of the Treasury, sent by direction of the Secretary, in which a statement is made that from replies received from several Federal Reserve Banks there appears to be some misunderstanding as to the extent of reimbursement and a more explicit explanation is made. For your information and guidance there is quoted the following from the Treasury's letter to which reference has just been made:

"It is contemplated that beginning July 1, 1922, the Treasury Department will reimburse the Federal Reserve Banks for all direct expenses necessarily incurred in the performance of any fiscal agency functions which do not involve their depository functions and which do not directly involve their accounts with the Treasurer of the United States. Such reimbursement will include all direct expenses such as personal services, supplies, printing, stationery, etc., but will not include any indirect expenses such as salaries of general officers or expenses of operation of buildings owned and occupied by a Federal Reserve Bank.

"In other words, fiscal agency expenses for which reimbursement may be claimed embrace all additional expenses incurred by Federal Reserve Banks on account of the issue, transfer or exchange of any bonds, notes, certificates or Treasury savings securities issued by the Treasury Department, but will not include expenses incident to the paying of Government warrants or checks or interest coupons or the redemption of matured securities for the account of the Treasurer of the United States, nor will it include any expenses arising in connection with the handling of depository accounts, or in connection with any currency or coin transactions, (except as provided in the coin or currency regulations)."

The Board advises all Federal Reserve Banks that their claims for reimbursement should be made in strict accordance with the terms of the foregoing quotation.

Very truly yours,

G o v e r n o r .

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FEDERAL RESERVE BOARD

WASHINGTON

X-3433

June 9, 1922.

SUBJECT: Revised Instructions regarding the Distribution of Reimbursable Fiscal Agency Expense.

Dear Sir:

Page 15 of schedule B of the Manual for Distribution of Expenses issued by the Federal Reserve Board's Committee on Economy and Efficiency provides for the deduction of the reimbursable expense from the several expense units under the Fiscal Agency function.

Beginning July 1, 1922, the Treasury Department will again reimburse Federal Reserve Banks for all expenses in connection with Fiscal Agency operations except certain items of overhead (Board's letters X-3396 and X-3432). This necessitates some modifications in the Manual for the Distribution of Expenses and Report Form, Schedule E.

At the time the original manual was approved the only expenses for which reimbursement was allowed were in connection with original issues and, therefore, appeared in connection with the Fiscal Agency function only. Under the new ruling, however, reimbursement will be made for a proportionate cost of a number of the service departments, such as files, protection, stenographic, etc. The Committee is chiefly interested in the gross operating costs of the several functions and expense units and it will not be necessary to make any deduction in connection with the reimbursable expenses, even under the Fiscal Agency function.

The reason for showing deductions originally was to make schedule E balance with form 96. As you will see now by reference to the recapitulation sheet of schedule E, this proof is arrived at by making the total of schedule E, which includes all expenses, balance with the total of forms 96, 97, and 97a.

You will find enclosed herewith several revised copies of page 15 of schedule B of the manual, which you will please have substituted for the original page. You will note the change in the introductory paragraph.

Very truly yours,

G o v e r n o r .

FISCAL AGENCY

(The expense of operating each separate unit of this function should include all expenses, whether or not reimbursed by the Treasury. Fiscal Agency expenses other than those shown under this function should be included in their respective expense units, regardless of whether or not the banks receive reimbursement.)

Administration

includes salaries of officers and any other employees assigned to the general administration of this function, and other expenses incidental thereto.

Original Issues

includes all expenses incident to the original issue of Government securities exclusive of savings securities.

Redemptions

includes all expenses incident to the redemption of Government securities exclusive of savings securities.

Exchanges and Conversions

includes all expenses incident to the following work:

- Exchange of coupon for registered,
- Exchange of registered for coupon,
- Exchange of temporary for permanent,
- Transfers of registered bonds,
- Exchange of denomination,
- Conversions.

Accounting

includes all expenses incident to the following work:

- General books
- Statements
- Reports

War Loan Deposit Accounts

includes all expenses incident to War Loan Deposits, making of calls and maintenance of records. (Does not include custody of collateral)

War Finance Corporation

includes all expenses incurred in connection with War Finance Corporation work except custody of securities and collateral.

Custody of Securities

includes all expenses incident to the holding of Government securities for Fiscal Agency work, as follows:

- Unissued securities (stock)
- War Loan Deposit collateral
- War Finance Corporation collateral.

FEDERAL RESERVE BOARD
GOLD SETTLEMENT FUND

X-3434
Washington, D.C.
June 9, 1922.

Summary of transactions for period ending June 8, 1922.

(CONFIDENTIAL)

Federal Reserve Bank of	Balance last statement June 1, 1922.	Gold Withdrawals	Gold Deposits	Aggregate withdrawals and transfers to Agent's fund	Aggregate deposits and transfers from Agent's fund	TRANSFERS	
						Debits	Credits
Boston	\$ 25,790,516.33	\$ -	\$ 14,000,000.00	\$ -	\$ 14,000,000.00	\$ -	\$ -
New York	112,850,026.06	28,200.00	-	28,200.00	-	5,000,000.00	-
Philadelphia	60,898,237.05	2,200,000.00	4,000,000.00	2,200,000.00	4,000,000.00	-	-
Cleveland	46,947,009.48	3,217,450.00	1,000,000.00	3,217,450.00	6,000,000.00	-	-
Richmond	37,919,270.02	-	-	5,000,000.00	-	-	1,000,000.00
Atlanta	28,790,604.00	55,850.00	2,000,000.00	5,055,850.00	2,000,000.00	-	-
Chicago	71,223,425.41	430,130.00	1,700.00	430,130.00	1,700.00	-	-
St. Louis	11,153,858.34	-	3,000,000.00	3,000,000.00	5,000,000.00	-	-
Minneapolis	21,098,244.08	118,700.00	-	118,700.00	-	-	-
Kansas City	29,166,146.78	176,000.00	300.00	176,000.00	300.00	-	2,000,000.00
Dallas	12,850,977.67	305,450.00	2,000,000.00	305,450.00	2,000,000.00	-	1,000,000.00
San Francisco	32,994,093.71	440,177.50	6,504,200.00	6,440,177.50	10,464,700.00	-	1,000,000.00
Total	\$491,682,408.93	\$ 6,971,957.50	\$ 32,506,200.00	\$ 25,971,957.50	\$ 43,466,700.00	\$ 5,000,000.00	\$ 5,000,000.00

Federal Reserve Bank of	Settlements from June 2, 1922 to June 8, 1922 inclusive.				Balance in fund at close of business June 8, 1922.	Summary of changes in ownership of gold by banks through transfers and settlements.	
	Net Debits	Total Debits	Total Credits	Net Credits		Decrease	Increase
Boston	\$ 25,827,800.98	\$ 134,291,336.51	\$ 108,463,535.53	\$ -	\$ 13,962,715.35	\$ 25,827,800.98	\$ -
New York	-	406,225,978.45	463,306,229.02	57,080,250.57	164,902,076.63	-	52,080,250.57
Philadelphia	11,562,411.69	142,647,754.53	131,085,342.84	-	51,135,825.36	11,562,411.69	-
Cleveland	5,328,216.18	112,620,303.54	107,292,087.36	-	44,401,343.30	5,328,216.18	-
Richmond	-	94,013,351.84	94,950,514.61	937,162.77	34,856,432.79	-	1,937,162.77
Atlanta	2,466,559.42	40,127,599.01	37,661,039.59	-	23,268,194.58	2,466,559.42	-
Chicago	522,382.96	212,607,994.73	212,085,611.77	-	70,272,612.45	522,382.96	-
St. Louis	-	105,133,208.98	107,397,248.83	2,264,039.85	15,417,898.19	-	2,264,039.85
Minneapolis	-	28,217,488.70	31,175,839.72	2,958,351.02	23,937,895.10	-	2,958,351.02
Kansas City	4,953,340.75	74,202,035.24	69,248,694.49	-	26,037,106.03	2,953,340.75	-
Dallas	2,480,447.78	34,806,824.20	32,326,376.42	-	13,065,079.89	1,480,447.78	-
San Francisco	10,098,644.45	55,052,072.31	44,953,427.86	-	27,919,971.76	9,098,644.45	-
Total	\$ 63,239,804.21	\$1,439,945,948.04	\$1,439,945,948.04	\$ 63,239,804.21	\$509,177,151.43	\$ 59,239,804.21	\$ 59,239,804.21

FEDERAL RESERVE AGENTS' FUND

X-3434a
Washington, D. C.
June 9, 1922.

Summary of transactions for period ending June 8, 1922.

(CONFIDENTIAL)

Federal Reserve Agent at	Balance last statement June 1, 1922.	Gold Withdrawals	Gold Deposits	Withdrawals for transfers to bank	Deposits through transfers from bank	Total Withdrawals	Total Deposits	Balance at close of business June 8, 1922.
Boston	\$ 118,000,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 118,000,000
New York	401,000,000	-	-	-	-	-	-	401,000,000
Philadelphia	141,389,260	-	-	-	-	-	-	141,389,260
Cleveland	150,000,000	-	-	5,000,000	-	5,000,000	-	145,000,000
Richmond	50,795,000	-	-	-	5,000,000	-	5,000,000	55,795,000
Atlanta	90,000,000	-	1,000,000	-	5,000,000	-	6,000,000	96,000,000
Chicago	342,644,500	5,000,000	-	-	-	5,000,000	-	337,644,500
St. Louis	46,300,000	-	-	2,000,000	3,000,000	2,000,000	3,000,000	47,300,000
Minneapolis	16,000,000	-	-	-	-	-	-	16,000,000
Kansas City	45,360,000	-	-	-	-	-	-	45,360,000
Dallas	10,000,000	-	-	-	-	-	-	10,000,000
San Francisco	184,046,500	7,000,000	-	3,960,500	6,000,000	10,960,500	6,000,000	179,086,000
Total	\$ 1,595,535,260	\$ 12,000,000	\$ 1,000,000	\$ 10,960,500	\$ 19,000,000	\$ 22,960,500	\$ 20,000,000	\$ 1,592,574,760

NO. 3157 AT LAW

IN THE DISTRICT COURT OF THE UNITED STATES FOR
THE NORTHERN DISTRICT OF TEXAS, AT DALLAS

Federal Reserve Bank of Dallas, Plaintiff,

v.

City of Cleburne, Defendant.

PLAINTIFF'S BRIEF ON THE QUESTION OF JURISDICTION

This suit was instituted by the plaintiff to recover the contents of certain warrants exceeding the jurisdictional amount issued by the defendant to the order of divers and sundry citizens of the State of Texas and by them assigned to the plaintiff.

The defendant contends that this court is without jurisdiction of the suit. It bases that contention upon the existence of that part of the first paragraph of Section 24 of the Judicial Code which reads:

"No district court shall have cognizance of any suit (except upon foreign bills of exchange) to recover upon any promissory notes or other chose in action in favor of any assign-

ee, or of any subsequent holder if such instrument be payable to bearer and be not made by any corporation, unless such suit might have been prosecuted in such court to recover upon said note or other chose in action if no assignment had been made."

The contention of the plaintiff is that this suit arises under a law of the United States and that the provision above quoted and hereinafter referred to as the "assignee clause" applies only to cases in which an alien sues a citizen or in which a citizen of another state sues a citizen of the state in which the action is brought, and that it has no application to a case arising under a law of the United States.

That this case is one arising under a law of the United States has been distinctly decided in *American Bank & Trust Co. v. Federal Reserve Bank of Atlanta*, 256 U. S. _____, 41 Sup. Ct. Rep. 499. The plaintiff maintains that the legislative history and judicial construction of the "assignee clause" unmistakably show that it has no application to a case arising under a law of the United States, and further that the "assignee clause", as it now appears in Section 24 of the Judicial Code, does not change the operation of that clause as it existed in the Act of 1838. The "assignee clause" was embodied in the original Judiciary Act of 1789 and has been brought forward in substance in varying phraseology through all subsequent enactments and revisions. The original Judiciary Act of 1789, 1 U. S. Stat. 72 et seq., did not vest jurisdiction over cases arising under the Constitution or laws of the United States, but by Section 11 thereof the jurisdiction was confined to three classes of cases: 1. Where the United States are plaintiffs; 2. Where an alien is a party; 3. Where the suit is between a

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citizen of the state where the suit is brought and a citizen of another state.

By the Act of February 13, 1801, c. 4, Sec. 11, 2 Stat. 89, jurisdiction over suits arising under the Constitution and laws of the United States was vested, but by the Act of March 8, 1802, 2 U. S. Stat. 132, the Act of February 13, 1801, was repealed and the original Judiciary Act revived, so that the jurisdiction over cases arising under the Constitution and laws of the United States was broadly exercised for the first time by the Act of March 3, 1875, c. 137, sec. 1, 18 Stat. 470.

Reverting to the original Judiciary Act, it was distinctly held by Justice Story, at circuit, that the "assignee clause" was without application to a suit by the United States, as assignee, to recover the contents of a promissory note against the maker, although the maker and the payees and assignors were citizens of the same state, because the restriction contained in the eleventh section of the Act, being the "assignee clause" in question, was not intended to apply to a suit brought by the United States. *United States v. Greene*, 4 Mason 427, 26 Fed. Cases No. 15,258.

It therefore appears that the "assignee clause", as embodied in the original Judiciary Act, was confined in its operation to the remaining two classes of cases - the one in which an alien was a party, and the other in which the jurisdiction rested solely on diverse citizenship.

The spirit and intent of the "assignee clause" and a consideration of the evil designed to be prevented thereby do not embrace this case within their purview. The First Bank of the United States was not by its charter vested with the power to sue in the federal court, and, as

above stated, the Judiciary Act did not confer jurisdiction over cases arising under the laws of the United States, and it was, therefore, properly held, in the cases of *The Bank of the United States v. Deveaux*, 5 Cranch 61, and *The Bank of the United States v. Martin*, 5 Peters 479, that the bank could not maintain an action in the federal court. Obviously the decision in those cases would have been to the contrary had the original Judiciary Act conferred, as the Judicial Code now confers, jurisdiction over cases arising under the laws of the United States.

Thereafter the second Bank of the United States was incorporated by Act of Congress and its charter expressly clothed it with the power to sue in the federal court. It was held by Chief Justice Marshall, in *Osborn v. The Bank*, 9 Wheaton 738, that it was within the province of Congress, under the Constitution, to confer jurisdiction on the federal courts of a suit by the bank, as such a suit was one arising under a law of the United States within the meaning of those words in the Constitution, and that therefore the bank could maintain an action in the federal court. The express provision in the charter of the bank that it might sue in the federal court was but the equivalent of the existing statute which confers jurisdiction in all suits of a civil nature, at common law or in equity, of cases arising under the laws of the United States, and had the original Judiciary Act conferred that jurisdiction the special provision in the bank's charter authorizing it to sue in the federal court would have been wholly unnecessary.

In *Commercial National Bank v. Simmons*, 6 Fed. Cases No. 3,062, the bank brought an action to recover the contents of notes payable to

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and assigned by citizens of the state where the suit was brought to the plaintiff, and it was contended there, as it is contended here, that the "assignee clause" defeated the jurisdiction, but the court held otherwise.

Again, in *The Bank of the United States v. The Planters' Bank of Georgia*, 9 Wheaton 904, Chief Justice Marshall held that the bank, despite the "assignee clause", could maintain an action on notes assigned to it by citizens of the State of Georgia in which the action was brought. It clearly appears from the opinion in that case that the court construed the "assignee clause" to be confined in its application to cases in which the jurisdiction rested solely on diverse citizenship.

In the course of the opinion Chief Justice Marshall, inquiring whether the "assignee clause" defeated the jurisdiction, pertinently said:

"It does not sue because the defendant is a citizen of a different state from any of its members, but because its charter confers upon it the right of suing its debtors in a circuit court of the United States.

If the bank could not sue a person who was a citizen of the same state with any one of its members, in the circuit court, this disability would defeat the power. There is, probably, not a commercial State in the Union, some of whose citizens are not members of the Bank of the United States. There is, consequently, scarcely a debt due to the bank, for which a suit could be maintained in the federal court, did the jurisdiction of the court depend on citizenship.

A general power to sue in any circuit court of the United States, expressed in terms obviously intended to comprehend every case, would thus be construed to comprehend no case. Such a construction cannot be the correct one."

Here the plaintiff does not sue because the defendant is a citizen of a different state, but because its charter, in virtue of an Act of Congress, confers upon it the right of suing its debtors in the federal court under that provision of Section 24 of the Judicial Code which vests jurisdiction in this court not of some but of all cases arising under the laws of the United States. Hence it is clothed, by virtue of its charter and the jurisdictional provision above referred to, with the general power to sue in the courts of the United States, and that power is, as said by Chief Justice Marshall, "expressed in terms obviously intended to comprehend every case", and to construe it as contended for by the defendant herein would make it "comprehend no case".

As this case arises under a law of the United States, the matter of citizenship is immaterial. In *Commercial National Bank v. Simmons*, supra, Welker, District Judge, said:

"If the matter of citizenship, in reference to the national banks, is dispensed with in favor of such banks, then what reason is there for the application of the limitation, as to suits on assigned paper? That limitation is only attached to enforce the privileges of citizenship and to prevent its abuse in bringing suits in federal courts. And, further, the banks,

in purchasing notes, etc., are only doing what the law authorizes them to do."

This unmistakably shows that the restriction of the "assignee clause" applies only to the matter of citizenship and that it was never designed to extend to a case arising under a law of the United States. Again, the comment of Judge Welker that the banks in purchasing notes are doing only what the law authorizes them to do, is pertinent here. The charter of the plaintiff authorizes it to deal in and to acquire such paper as that upon which this suit is based, and it is matter of common, and therefore judicial knowledge that the assets of all the Federal Reserve Banks consist largely of notes and other choses in action assigned to them by citizens of the States in which they are located. From this it follows that the construction contended for by the defendant in this case would deprive the Federal Reserve Banks of the right to sue the majority, if not all, of their delinquent debtors in the federal court. Such a construction would be subversive of both the letter and the spirit of the law that explicitly confers jurisdiction of all cases arising under the laws of the United States.

The "assignee clause" does not operate to defeat jurisdiction unless the case comes both within its letter and its intent. If it should be conceded that this case comes within the letter of the "assignee clause", yet it is equally obvious that it does not come within its intent.

As said by Justice Story, in *United States v. Greene*, supra in discussing the "assignee clause";

"The terms of this latter clause are exceedingly broad and strong, 'nor shall any district or circuit court have cognizance', etc.; and if they are to be understood without any limitation whatsoever, they clearly extend to the present case."

But, said Justice Story:

"It was foreseen, that if no restriction of this nature were interposed, the jurisdiction of the courts of the United States might, by fraudulent or friendly assignments, be extended to almost all classes of contracts between citizens of the same state. This would be a manifest evasion of the Constitution in its limits upon the judicial power. This was the mischief to be remedied. But the case of the government is not within the mischief. It is not presumable, that the government would countenance a fraud of this nature."

It cannot be presumed that the Federal Reserve Banks, which essentially are great governmental agencies and in which the government itself has a direct pecuniary interest, would indulge the practice of obtaining choses in action by "fraudulent or friendly assignments" for the improper purpose of wrongfully conferring jurisdiction where it did not rightfully exist. The institution in this court of a suit arising under a law of the United States cannot constitute a mischief because the institution and maintenance of such a suit is expressly permitted by the Constitution and the existing law.

In *New Orleans v. Whitney, Administrator*, 138 U. S. 595, the court entertained jurisdiction of suit on a chose in action by an administrator, saying:

"The evil which the law was intended to obviate was the voluntary creation of federal jurisdiction by simulated assignments. Assignments by operation of law, by creating legal representatives, are not within the mischief or reason of the law."

In *Lipschitz v. Napa Fruit Co.*, 223 Fed. 701, the Circuit Court of Appeals for the Second Circuit, in discussing the "assignee clause", said:

"The intent of the statute was to prevent citizens of the same state from creating a diversity of citizenship by assignment, and from thereby conferring upon the assignee by indirection a right to sue in the courts of the United States which otherwise he would not have possessed."

In *Holmes v. Goldsmith*, 147 U. S. 160, the court said:

"It is quite plain that the plaintiff's action did not offend the spirit and purpose of this section of the Act. The purpose of the restriction as to suits by assignees was to prevent the making of assignments of choses in action for the purpose of giving jurisdiction to the

federal court."

In that case the jurisdiction, though resting solely on diverse citizenship, was sustained because it was shown that the nominal endorser was not really such, and that the note was made by the makers for his accommodation and as his sureties.

Numerous other cases of similar import may be readily cited, but the foregoing excerpts indisputably evidence the fact that this case is indisputably without the mischief or the purview of the inhibition of the "assignee clause".

There are two classes of federal jurisdiction: One is dependent upon the character of the parties, and the other upon the character of the subject matter. These are two distinct conceptions and this case does not depend on the character of the parties, but is governed by the subject matter.

In *Cohens v. Virginia*, 6 Wheaton 264, 393, Chief Justice Marshall said:

"In one description of cases, the jurisdiction of the court is founded entirely on the character of the parties; and the nature of the controversy is not contemplated by the constitution. The character of the parties is everything, the nature of the case nothing. In the other description of cases the jurisdiction is founded entirely on the character of the case, and the parties are not contemplated by the constitution. In these the nature of the case is everything, the character of the parties nothing."

The jurisdiction of this suit, therefore, is dependent upon its character, to wit: one arising under a law of the United States, and is in no way concerned with the character of the parties.

The contention of the defendant is further confronted with this insuperable objection. In pursuance of the Constitution Congress has explicitly clothed this court with jurisdiction of all suits at common law or in equity that involve the requisite jurisdictional amount and that arise under the laws of the United States. This jurisdiction will not be held to be taken away by any subsequent words of the statute, although appropriate for that purpose, unless it shall clearly appear that such was the manifest intent of Congress.

The reasoning of Justice Story, in *United States v. Greene*, supra, whilst applying with peculiar force to the government, is nevertheless applicable here. In the course of that opinion Justice Story said:

"Here the jurisdiction is clearly given by the words of the 9th section, and it is incumbent upon those who assert that it is restrained by another section, to establish the fact beyond all doubt. To show that the subsequent words may be so applied, is not sufficient: it must be shown that they were actually used for such a purpose."

The "assignee clause" was inserted in the original Judiciary Act, and that at a time when it was not possible for

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it to operate upon suits arising under the Constitution or the laws of the United States, because at that time such jurisdiction had not been conferred, nor, if we eliminate the ephemeral existence of the Act of February 13, 1801, was it conferred until the Act of March 3, 1875. It is therefore indisputable that Congress in the original enactment of the "assignee clause" designed that it should operate only on suits in which the jurisdiction was founded either upon alienage or diverse citizenship. The "assignee clause", in the Act of 1887, as corrected by the Act of 1888, which is embodied in Section 629 of the Revised Statutes, is set forth in a proviso following the grant of jurisdiction in cases in which an alien is a party or the suit is between a citizen of the state where it is brought and a citizen of another state. That act is as follows:

"The circuit courts shall have original jurisdiction as follows:

First. Of all suits of a civil nature at common law or in equity, where the matter in dispute, exclusive of costs exceeds the sum or value of five hundred dollars, and an alien is a party, or the suit is between a citizen of the State where it is brought and a citizen of another State: Provided, That no circuit court shall have cognizance of any suit to recover the contents of any promissory note or other chose in action in favor of an assignee, unless a

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suit might have been prosecuted in such court to recover the said contents if no assignment had been made, except in cases of foreign bills of exchange."

The connection of the clause in question in the statute above quoted unmistakably shows that its operation was restricted to the two classes of cases antecedently specified. Again, the "assignee clause" is therein embodied in a proviso, and it is familiar learning that the office of a proviso, generally, is either to except something from the enacting clause, or to qualify or restrain its generality, or to exclude some possible ground of misinterpretation of it as extending to cases not intended by the Legislature to be brought within its purview. Where the enacting clause is general in its language and object, and a proviso is afterwards introduced, that proviso is construed strictly and takes no case out of the enacting clause which does not fall fairly within its terms. In short, a proviso carves special exceptions only out of the enacting clause, and those who set up any such exception must establish it as being within the reason thereof. Such is the text of the article entitled "Statutes & Statutory Construction" in 1 Fed. Stat. Anno. 2 ed., p. 153, and that text is supported by a wealth of citations from the ultimate tribunal.

The defendant cannot parry the force of this settled rule of construction by pointing out that the "assignee clause", as it now appears in Section 24 of the Judicial Code, is

differently arranged and set forth in a separate and distinct sentence. Such fact can exert no potent influence here because the Judicial Code, both by its express provisions and by settled judicial construction, is not a new enactment but a mere continuation, and neither a mere change in arrangement nor an unimportant change of phraseology operates a change of the law.

Section 294 of the Judicial Code reads:

"The provisions of this Act, so far as they are substantially the same as existing statutes, shall be construed as continuations thereof, and not as new enactments, and there shall be no implication of a change of intent by reason of a change of words in such statute, unless such change of intent shall be clearly manifest."

Section 295 of the Judicial Code reads:

"The arrangement and classification of the several sections of this Act have been made for the purpose of a more convenient and orderly arrangement of the same, and therefore no inference or presumption of a legislative construction is to be drawn by reason of the chapter under which any particular section is placed."

It is familiar learning that in the construction of the Revised Statutes the presumption is against an intention to change the meaning and construction of a statute re-enacted therein. Mere changes in phraseology arising from a condensation or otherwise are not to be regarded as changing the pre-

existing law. Nor is it to be inferred that Congress, by consolidating or transposing earlier provisions, intended to change their effect, unless an intention to do so is clearly expressed. A change of the law by a revision will not be presumed unless the language in the revision cannot possibly bear the same construction as the revised and repealed act. 1 Fed. Stat. Anno. 2 ed. 183 and cases cited from the Supreme Court under notes 7, 8, 9 and 10.

In *Anderson v. Pacific, etc., Co.*, 225 U. S. 187, the Supreme Court, speaking by Justice Hughes, said:

"The change of arrangement, which placed portions of what was originally a single section in two separated sections, cannot be regarded as altering the scope and purpose of the enactment. For it will not be inferred that Congress, in revising and consolidating the laws, intended to change their effect unless such intention is clearly expressed."

To the same effect are *United States v. Cress*, 243 U. S. 316, 331. *Buck Stove Co. v. Vickers*, 226 U. S. 205, 213; and *Herrmann v. Edwards*, 238 U. S. 107, 117 and 118.

In the case last cited the court, speaking by Mr. Chief Justice White, pp. 117 and 118, pertinently said:

"The re-enacted section in other words, instead of generally stating what was excluded from jurisdiction and then carving out exceptions, as was done in the Act of 1888, gave jurisdiction only in the cases where it was intended

to give it and then proceeded to declare that in all other cases within the contemplation of the section there should be no jurisdiction, thus making the lines clear and broad and leaving no room for controversy or doubt. Aside from this it is to be moreover observed that the intention of Congress to make, by the adoption of the Judicial Code, so radical a change from the rule which had prevailed for so long a period is not to be indulged in without a clear manifestation of such purpose."

The meaning of the "assignee clause", as it existed in the original Judiciary Act and ever since up to and including the Act of 1833, as judicially interpreted, is too well settled to admit the possibility of a successful contention that the mere rearrangement of it in the Judicial Code was designed by Congress to operate such a radical change in its meaning as that contended for by the defendant. The doctrine that a revision of a statute does not change the law as originally enacted was also decided by the Supreme Court of Texas in *Hartford Fire Insurance Co. v. Walker*, 94 Tex. 473.

There are a multitude of cases in which the "assignee clause" has been applied and in which jurisdiction was denied; but, from an examination of a great number of them, we confidently venture the assertion that in all of them the jurisdiction rested solely on diverse citizenship, and that no case can be produced in which the "assignee clause" defeated the jurisdiction when it rested upon the existence of a federal

question.

In fact, we think this exact question has been set at rest by the Supreme Court in the case of Wyman v. Wallace, 201 U. S. 230. That case was decided by the Circuit Court of Appeals of the Eighth Circuit, sub nom, George v. Wallace, 135 Fed. 286. The court was composed of Circuit Judges Sanborn, Thayer and Hook. Therein the court said:

"The complainant, a citizen of New Hampshire, sued as the assignee of a nonnegotiable promissory note. His assignor, the payee of the note, is a national bank located in the state of Nebraska, and is therefore deemed a citizen of that state so far as concerns the question of jurisdiction. Most of the appellants are also citizens of Nebraska. This being so, some ground of federal jurisdiction other than diversity of citizenship must be found to exist to justify the maintenance of the suit against them."

It was decided that the jurisdiction rested on a federal question and did not depend upon diverse citizenship and therefore the jurisdiction was sustained.

From that decision the case was taken on appeal to the Supreme Court, sub nom, Wyman v. Wallace, 201 U. S. 230.

The facts, so far as they are essential to an understanding of the question, are that the American and the Union banks were each engaged in business in the City of Omaha, Nebraska. The American bank encountered financial difficulties and made an arrangement with the Union bank to finance it. As

the result of the transaction certain notes were given, one of which was assigned to Wallace, a citizen of New Hampshire. Wallace sued on the note and by an amended bill sought, on behalf of himself and all other creditors of the American bank, the winding up of the affairs of that bank, the determination of the amount due upon his note, etc. He had not reduced the note to judgment prior to the commencement of the suit. Upon a final hearing a decree was entered ascertaining the amount due Wallace, the complainant, and directing a recovery of \$97.23 on each share of stock.

It distinctly appears, p. 233, that the appellants in that case presented the exact question involved here. In the course of their brief they said:

"The court did not have jurisdiction on the ground of citizenship, because complainant is the assignee of a nonnegotiable chose in action and his assignor, the Union National Bank, is a bank located in Nebraska, while the American National Bank, Kimball, and these appellants, were also citizens of Nebraska."

The court held that, as the jurisdiction rested on a federal question, the "assignee clause", did not apply. Justice Brewer, in delivering the opinion, said:

"A matter of jurisdiction is first presented. The note, which is the foundation of plaintiff's suit, is one made by the American Bank to the Union Bank, both located in Nebraska, and under the statute, for the purpose of

jurisdiction, to be considered citizens of Nebraska, 25 Stat.
436; sec. 4. The plaintiff is a citizen of New Hampshire.
He could not maintain an action against the maker of the
note, although a citizen of a State other than that of the
maker and payee. 25 Stat. 434; sec. 1. But if diverse
citizenship was the sole basis of the jurisdiction of the
Circuit Court, the decision of the Court of Appeals would
be final and there would be no appeal to this court. 26
Stat. 828; sec. 6. The jurisdiction of the Circuit Court,
however, was not invoked on the ground of diverse citizen-
ship - at least, not on that alone. The case presented
was one arising under the laws of the United States. It
was a suit to enforce a special right given by those laws.
Section 5220, Rev. Stat., reads: 'Any (national banking)
association may go into liquidation and be closed by the
vote of its shareholders owning two-thirds of its stock.'
By section 5151, Rev. Stat., stockholders in national
banks are made liable for 'all contracts, debts and
engagements of such association, to the extent of the
amount of their stock therein, at the par value thereof,
in addition to the amount invested in such shares.' Sec-
tion 2 of the act of June 30, 1876, 19 Stat. 53, is as
follows:
'Sec. 2. That when any national banking association shall
have gone into liquidation under the provisions of section
five thousand two hundred and twenty of said statutes, the

individual liability of the shareholders provided for by section fifty one hundred and fifty one of said statutes may be enforced by any creditor of such association, by bill in equity, in the nature of a creditor's bill, brought by such creditor on behalf of himself and of all other creditors of the association, against the shareholders thereof, in any court of the United States having original jurisdiction in equity for the district in which such association may have been located or established. More than two-thirds of the stock voted, on February 25, 1896, for a voluntary liquidation, and on April 27, 1896, the Comptroller of the Currency formally approved the liquidation and notified the cashier of the American Bank to that effect. In proceeding, therefore, by this suit to enforce in behalf of himself and all other creditors of the American Bank the extra liability imposed by Rev. Stat. sec. 5151, a case was presented arising under the laws of the United States, and of which, independently of the matter of diverse citizenship, the Circuit Court had jurisdiction."

It will be observed that in the course of Justice Brewer's opinion he said:

"He could not maintain an action against the maker of the note, although a citizen of a state other than that of the maker and payee, 25 Stat. 434; sec. 1."

25 U. S. Stat. 434, sec. 1, cited by Justice Brewer, as above stated, is the enactment approved August 13, 1888, containing the "assignee clause". The "assignee clause" was embodied in the original Judiciary Act which, as we have stated,

did not confer jurisdiction of any case arising under the Constitution or the laws of the United States. Justice Story, in his opinion in *United States v. Greene*, supra, which has never been questioned, distinctly decided that the "assignee clause" did not apply to a suit by the United States as assignee; and Judge Welker, in his opinion in *Commercial National Bank v. Simmons*, supra, which has never been questioned, decided that it did not apply to the case of a national bank whose charter authorized it to sue in the federal court.

Presumably, therefore, Congress knew when it enacted the original Judiciary Act that the "assignee clause" was not intended to affect the jurisdiction of cases other than those resting solely on diverse citizenship. Therefore the original intent of the "assignee clause" was to only prescribe an additional requisite of diversity of citizenship. Such manifestly was its original intent, and nothing has transpired since that time to evidence a change of that intent. In fact, *Wyman v. Wallace*, supra, conclusively shows that such is now the intent of the enactment.

The First Bank of the United States, despite the "assignee clause", could have maintained an action, as assignee, in the federal court had those courts at that time been vested with jurisdiction of cases arising under the laws of the United States; and the special provision in the charter of Second Bank of the United States authorizing it to sue in the federal court would have been wholly unnecessary had the federal courts

at that time been vested with jurisdiction of cases involving federal questions.

The charter of the Federal Reserve Bank plus the jurisdiction of all cases arising under the laws of the United States is the exact equivalent of the charter of the Second Bank of the United States, and, therefore, the decisions of Chief Justice Marshall, in *The Bank of the United States v. The Planters' Bank of Georgia*, and Judge Welker, in *Commercial National Bank v. Simmons*, supra, are not only applicable but conclusive.

It is therefore respectfully submitted that, as the jurisdiction of this case rests upon the fact that it is a suit arising under the laws of the United States, this court has jurisdiction.

Respectfully submitted,

CHAS. C. HUFF,

E. B. STROUD,

ETHERIDGE, McCORMICK & BROMBERG,

Attorneys for Plaintiff.

Results of Test Examination of each Kind of Paper
 Currency presented during the Month of _____, 192_,
 for Redemption by the _____
 (Name of F. R. Bank or Branch)

U. S. CURRENCY

<u>(Half Notes)</u>							
Denomination		Ones	Twos	Fives	Tens	Twenties	Total
No. Notes Examined							
No. Fit Notes							
% of Fit Notes							

F. R. BANK NOTES

No. Notes Examined							
No. Fit Notes							
% of Fit Notes							

FEDERAL RESERVE NOTES

(Half Notes)

Denomination	Fives	Tens	Twenties	Fifties	Hundreds	Total
No. Notes Examined						
No. Fit Notes						
% of Fit Notes						

NATIONAL BANK NOTES

No. Notes Examined						
No. Fit Notes						
% of Fit Notes						

COPY

X-3437

709

S. RES. 302.

IN THE SENATE OF THE UNITED STATES,
April 20 (calendar day June 7), 1922.

Whereas it has been charged on the floor of the Senate that the Federal Reserve Board has a publicity fund of several thousand dollars which it uses from time to time to carry on a newspaper propaganda in support of the acts and policies of the Federal Reserve Board; and

Whereas it has been charged that a portion of said publicity fund has been used to induce certain newspapers to praise and defend the acts and policies of said Federal Reserve Board and to attack and condemn Senators who have criticized the policy of said board: Therefore be it

RESOLVED, That the Federal Reserve Board be, and it is hereby, requested to furnish to the Senate, at its earliest convenience, in writing, all the information in its possession touching the matters specifically set out in the following questions:

(1) Has the Federal Reserve Board a publicity fund? If so, how much or what amount is provided per annum and from what source is such fund derived?

(2) For what purpose is said fund now used and for what purpose has it been used since May 15, 1920, to June 1, 1922?

(3) To what person or persons and in what amounts and for what service performed has money been paid from said publicity fund since May 15, 1920, to June 1, 1922?

(4) How is such fund disbursed? Upon whose order is it paid out?

(5) What sum is expended annually for publishing the monthly bulletins of said board, including salaries and other expenses connected with the printing of said bulletins?

Attest:

(Signed) George A. Sanderson

Secretary.

COPY

X-3437a

710

June 8, 1922.

SUBJECT: Response to S. Res. 302.

Sir:

The Federal Reserve Board has received, from the Secretary of the Senate, a resolution of the Senate (S. Res. 302), passed June 7th, 1922, reading as follows:

"Whereas it has been charged on the floor of the Senate that the Federal Reserve Board has a publicity fund of several thousand dollars which it uses, from time to time, to carry on a newspaper propaganda in support of the acts and policies of the Federal Reserve Board; and

"Whereas it has been charged that a portion of said publicity fund has been used to induce certain newspapers to praise and defend the acts and policies of said Federal Reserve Board, and to attack and condemn Senators who have criticized the policy of said board: Therefore be it

"Resolved, That the Federal Reserve Board be, and it is hereby requested to furnish to the Senate, at its earliest convenience, in writing, all the information in its possession touching the matters specifically set out in the following questions:

- (1) Has the Federal Reserve Board a publicity fund; if so, how much or what amount is provided per annum, and from what source is such a fund derived?
- (2) For what purpose is said fund now used, and for what purpose has it been used since May 15, 1920, to June 1, 1922?
- (3) To what person or persons and in what amounts and for what service performed has money been paid from said publicity fund since May 15, 1920, to June 1, 1922?
- (4) How is such fund disbursed - upon whose order is it paid out?
- (5) What sum is expended annually for publishing the monthly bulletins of said board, including salaries and other expenses connected with the printing of said bulletin?"

The Federal Reserve Board denies the charges referred to in the preamble of the resolution "that the Federal Reserve Board has a publicity fund of several thousand dollars which it uses from time to time to carry on a newspaper propaganda in support of the acts and policies of the Federal Reserve Board", and "that a portion of said publicity fund has been used to induce certain newspapers to praise and defend the acts and policies of the Federal Reserve Board and to attack and condemn Senators who have criticized the policy of said board".

In answer to the questions numbered 1, 2, 3, and 4 in the resolution, which are designed to elicit information regarding the source from which this alleged "publicity fund" is derived and the purposes for which and the methods by which expenditures are made therefrom, the Federal Reserve Board states that it has no "publicity fund" and has never had any such fund, and that it has never engaged in nor caused to be carried on any newspaper propaganda in support of its policies or for any other purpose, and has never used nor caused to be used any of its funds or other funds to induce newspapers or other agencies for the dissemination of news, to praise or defend the acts or policies of the Federal Reserve Board, or to attack or condemn Senators or other persons who have criticized the Board's policies.

The Federal Reserve Board maintains no publicity organization and has never even subscribed to a press clipping bureau.

The only fund upon which the Federal Reserve Board may draw for any purpose is the fund which is raised through its semi-annual assessments against the Federal Reserve banks made pursuant to the terms of Section 10 of the Federal Reserve Act, which provides as follows:

"The Federal Reserve Board shall have power to levy semi-annually upon the Federal Reserve banks, in proportion to their capital stock and surplus, an assessment sufficient to pay its estimated expenses and the salaries of its members and employees for the half year succeeding the levying of such assessment, together with any deficit carried forward from the preceding half year."

Payments made by the Federal Reserve banks pursuant to the Board's semi-annual assessments, are covered into the General Fund of the Treasury of the United States to the credit of the Federal Reserve Board. Under the law the Federal Reserve Board is an independent establishment of the United States Government and the moneys in the fund thus raised to meet its expenses are public funds and can be disbursed only in accordance with the terms of the Federal Reserve Act, subject to the restrictions contained in that Act and subject also to all other relevant restrictions upon the expenditures of public moneys. The authority for, and the purpose of, all expenditures made from this fund are evidenced by the usual form of public voucher, and the accounts of the Federal Reserve Board are audited, just as are the accounts of other departments and establishments of the Government, by auditors of the General Accounting Office, acting under the supervision of the Comptroller General of the United States.

The 5th question of the resolution calls for information as to "What sum is expended annually for publishing the monthly bulletins of said board, including salaries and other expenses connected with the printing of said bulletins?" The monthly bulletin referred to is the "Federal Reserve Bulletin" which has been issued monthly by the Federal Reserve Board since May, 1915.

- 3 -

In the following table is stated the cost of printing and distributing the Federal Reserve Bulletin:

	<u>1920</u>	<u>1921</u>	Jan.1 to May 31 <u>1922</u>
Amount paid to Government Printing Office for printing Federal Reserve Bulletin.	\$29,013.61	\$26,140.06	\$10,762.53
Cost of postage used in distribution of Federal Reserve Bulletin	<u>240.00*</u>	<u>225.00*</u>	<u>96.00</u>
Total	\$29,253.61	\$26,365.06	\$10,858.53
Less receipts for subscriptions and sales of miscellaneous issues	<u>5,461.03</u>	<u>9,233.94</u>	<u>3,211.50</u>
Net cost of publishing	\$23,792.58	\$17,131.12	\$ 7,647.03

*Estimated

No one is employed by the Federal Reserve Board to perform services solely in connection with the publication of the Federal Reserve Bulletin. The work of the Board is performed through appropriate divisions, in each of which there are a certain number of employees under the charge of a division chief. As a part of the work of some of these divisions, certain information is gathered and statistics are compiled for the use of the Federal Reserve Board in the performance of its duties, and this information and these statistics are in many instances published in the Federal Reserve Bulletin, but the principal work of these divisions is entirely independent of the publication of the Bulletin. It is impossible, therefore, to do more than estimate what part of the work done by the Board's regular staff and paid for in the Board's semi-monthly payroll is properly chargeable to the Federal Reserve Bulletin. A reasonable estimate would be that about \$3,000 represents the annual salaries paid by the Board on account of work done in connection with the publication of the Federal Reserve Bulletin.

The objects of the Board in issuing the Bulletin are stated in an announcement contained in the first issue of May 1, 1915, as follows:

"With this issue the Federal Reserve Board begins the publication of a Federal Reserve Bulletin. The Bulletin is intended to afford a general statement concerning business conditions and events in the Federal Reserve System that will be of interest to all member banks. It will include consolidated statements of bank condition and such abstracts of correspondence of the Federal Reserve Board, statements and facts relating to the national banks and Treasury Department, and actions taken by Federal and State Governments as have a direct relationship to banking problems. Brief comparative reports concerning the operations of the Federal Reserve System in the several districts will also be published from time to time.

"In the law department of the Bulletin will be included opinions of The Counsel of the Federal Reserve Board released for publication, such opinions

of counsel of the several banks as may be deemed of general interest, and reports of legislation, National and State, affecting the member banks.

"The Bulletin is intended as a means of communication between the Federal Reserve Board, the public, and the member banks. Its publication has been suggested from many quarters, and is expected to facilitate the work of the Federal Reserve banks by keeping them in touch with common problems and methods so as to avoid needless duplication in their several districts. The Bulletin is not intended as a vehicle for the expression of opinion, but as a means of distributing information. The cooperation of all member banks, and particularly of Federal Reserve banks, is requested in order that the publication may be made as complete as possible, and may contain as much information on subjects of general interest to members as is feasible.

"The Bulletin will be distributed free to Federal Reserve banks and to member banks. A subscription price for others will be determined later."

Annexed hereto, as Exhibits A, B and C respectively, are copies of the first and of recent issues of the Federal Reserve Bulletin, that is, the issues of May 1, 1915, May 1, 1922, and the short edition of June 1, 1922. An examination of these issues will disclose the character of the information contained in this publication.

The Federal Reserve Bulletin is printed at the Government Printing Office and for the further information of the Senate there is enclosed herewith, as Exhibit D, a copy of the Board's letter to Senator Reed Smoot, Chairman of the Joint Committee on Printing, under date of March 16, 1920, setting forth certain facts bearing upon the nature of the publication.

The original subscription price of the Federal Reserve Bulletin was \$2.00 per annum, but since July, 1920, the Board has published the Bulletin in two editions. The first or short edition, containing only the regular official announcements, a review of business conditions and other general matter, is distributed without charge to the member banks of the Federal Reserve System and at a charge of \$1.50 per annum to other subscribers. The final or complete edition, containing the detailed analysis of business conditions, special articles, review of foreign banks, and complete statistics showing the condition of Federal Reserve banks, is sold at the subscription price of \$4.00 per annum.

The amounts received from subscriptions and from sales of miscellaneous issues are covered into the General Fund of the Treasury to the credit of the Federal Reserve Board and can be disbursed only in the manner and for the purposes heretofore described.

Respectfully,

(Signed) W. P. G. Harding.

The President of the Senate.

G o v e r n o r .

714

FEDERAL RESERVE BOARD
WASHINGTON

X-3438

June 13, 1922.

SUBJECT: Credit Statement Forms.

Dear Sir:

The Board has recently received a letter from Mr. O. H. Boies, Statistician of the Association of Life Insurance Presidents, requesting information as to whether or not all Federal Reserve Banks include inquiries in their credit statement blanks regarding the amount of insurance carried by makers of paper offered for rediscount.

In order to enable the Board to answer this inquiry, it will be appreciated if you will furnish us at your early convenience with three sets of the credit statement forms used in connection with rediscounted paper drawn by individuals, firms, or corporations. In forwarding these forms to the Board, kindly state whether or not the forms call for information regarding the amount of fire and life insurance carried, and in the case of life insurance whether the name of the beneficiary is called for.

In case the credit statement forms furnished the Board are modified in the future, three copies of the modified statement should be furnished the Board in order that its files may be kept up to date.

Very truly yours,

Walter L. Eddy,
Assistant Secretary.

TO ALL F. R. AGENTS.

715

FEDERAL RESERVE BOARD

WASHINGTON

X-3439

June 13, 1922.

SUBJECT: Summary of Replies to Questionnaire on
Exercise of Trust Powers by National Banks.

Dear Sir:

Under date of October 12, 1921, the Federal Reserve Board, through the Federal Reserve Banks, addressed to all national banks which had been granted permission to act in fiduciary capacities under the terms of Section 11(k) of the Federal Reserve Act, a questionnaire designed to elicit information as to the degree of success which they were attaining in the operation of their trust departments and as to the nature of the practical and legal difficulties, if any, which they were encountering. A summary of the replies received to that questionnaire has been prepared and published in pamphlet form and a supply is being sent to you under separate cover. It will be appreciated if you will kindly have one of these pamphlets mailed to each of the national banks in your district which has been granted fiduciary powers.

Very truly yours,

Secretary.

TO CHAIRMEN OF ALL F.R. BANKS.

FEDERAL RESERVE BOARD
WASHINGTON

X-3440

June 13, 1922.

SUBJECT: Estimates of Fiscal Agency Expenses for Six Months'
Period beginning July 1, 1922.

Dear Sir:

There is transmitted herewith copy of a letter received from the Under Secretary of the Treasury, which is self-explanatory. You are requested at your earliest convenience to forward to the Board, for its information and for transmittal to the Treasury Department, an estimate, for the six months' period beginning July 1st next, of reimbursable fiscal agency expenses, in accordance with the terms of the enclosed letter, the Under Secretary's letter of June 6th, which was quoted to you in the Board's circular letter of June 8th (X-3432), and the classification of objects of expenditure, as prescribed by the Comptroller General in Bulletin No. 1, dated May 11, 1922, of the General Accounting Office, a copy of which is transmitted herewith.

Very truly yours,

G o v e r n o r .

(Enclosure)

GOVERNORS OF ALL F. R. BANKS
COPIES TO AGENTS.

COPY

X-3440a

TREASURY DEPARTMENT
WASHINGTON

June 12, 1922.

My dear Governor:

Referring to your circular letter of May 8, 1922, addressed to Federal Reserve Banks on the subject of reimbursement for fiscal agency expenses, and supplementing my letter of June 6th on the same subject, it is requested that you secure from each Federal Reserve Bank an estimate of reimbursable fiscal agency expenses, as defined in my letter of June 6th, that will be incurred during the six months' period beginning July 1, next; such estimates to be compiled under three general headings: (A) Treasury Notes and Certificates, (B) Treasury Savings Securities, and (C) Other Fiscal Agency Expenses; with further subdivisions in accordance with the classification of objects of expenditure, as prescribed by the Comptroller General in Bulletin No. 1, dated May 11, 1922, of the General Accounting Office. Copies of this bulletin are enclosed for transmission to the Federal Reserve Banks.

In my letter of June 6th, I failed to state that as a general rule the Treasury will not reimburse Federal Reserve Banks for any expenses incurred at branches. In special circumstances, expenses of handling issues of Treasury certificates and notes incurred at branches may be reimbursed, but as regards other expenses claims for reimbursement will not be entertained, except with respect to transactions conducted at the New Orleans Branch of the Federal Reserve Bank of Atlanta, where the procedure has been so long established that no change in policy will be made. In this connection you are advised that in response to inquiries Federal Reserve Banks have been advised that the Department will not object to general fiscal agency transactions being conducted at branches, but that such transactions must be conducted for account of the parent bank.

I hope it will be possible to secure the estimates above referred to within two weeks' time that the accounts involved may be established before the beginning of the next fiscal year.

By direction of the Secretary.

Very truly yours,

(Signed) S. P. Gilbert, Jr.

Under Secretary.

Honorable W. P. G. Harding
Governor, Federal Reserve Board.

12 enclosures

FEDERAL RESERVE BOARD
WASHINGTON

X-3441
June 13, 1922.

SUBJECT: Final Action By Board on Recommendations of
Governors' Conference, May 2-4, 1922.

Dear Sir:

The Federal Reserve Board has given careful consideration to the minutes of the conference of Governors of the Federal Reserve Banks held in Washington on May 2-4, 1922, and has already sent out circular letters making effective, as rulings of the Board, certain recommendations of the conference. The Board does not deem it necessary to make formal rulings with respect to other conclusions reached at the conference, and, while it reserves the right, under its general powers of regulation, to modify or amend, as and when occasion may require, it has, by a formal vote, expressed its concurrence in all the various conclusions reached by the conference, as set forth in the minutes.

Very truly yours,

G o v e r n o r .

GOVERNORS OF ALL F.R.BANKS (and Dep. Gov. Harrison of N.Y.)
Copies to Agents.

710

FEDERAL RESERVE BOARD

WASHINGTON

X-3442

June 13, 1922.

SUBJECT: Franking Privileges on Fiscal Agency Mail.

Dear Sir:

In connection with the proposal of the Treasury Department to reimburse the Federal Reserve Banks for fiscal agency expenses, the question has been raised as to whether the Federal Reserve Banks will be permitted to frank all Treasury mail after July 1, 1922, as was done prior to the absorption of fiscal agency expenses by the Federal Reserve Banks.

The following quotation is from a letter received by the Board from the Under Secretary of the Treasury to whom the question was referred:

"It will be appropriate for you to advise the Federal Reserve Bank that the contemplated absorption by the Treasury of certain fiscal agency expenses after July 1, next, will not involve any change in policy with respect to the payment of postage, and if after that date the Federal Reserve Banks incur postage charges in connection with items the expenses of which will be reimbursed by the Treasury, such postage charges of course will be absorbed by the Treasury. So far as the Treasury is concerned no further representations will be made to the Post Office Department with respect to the dispatch of mail by Federal Reserve Banks without prepayment of postage, and accordingly, the arrangements now in effect will be continued".

Very truly yours,

G o v e r n o r .

To Governors of all F.R.Banks.

TREASURY DEPARTMENT
Office of the Secretary
WASHINGTON

June 9, 1922.

The Governor,
Federal Reserve Board.

Sir:

You are advised that the Department has referred to the General Accounting Office, Treasury Department Division, for settlement, the account of the Bureau of Engraving and Printing for preparing Federal Reserve notes during the period May 1 to May 31, 1922, amounting to \$73,725.46, as follows:

Federal Reserve Notes, 1914

	<u>\$5</u>	<u>\$10</u>	<u>\$20</u>	<u>\$50</u>	<u>\$100</u>	<u>Total</u>
New York	--	5,000	6,000	--	--	11,000
Philadelphia	140,000	82,000	143,000	22,000	--	387,000
Cleveland	101,000	37,000	76,000	17,000	--	231,000
Richmond	86,000	16,000	15,000	5,000	1,000	123,000
Atlanta	134,000	45,000	21,000	1,000	1,000	202,000
St. Louis	--	--	--	1,000	--	1,000
Minneapolis	41,000	33,000	33,000	--	--	107,000
Kansas City	71,000	42,000	32,000	2,000	1,000	148,000
Dallas	1,000	--	--	--	--	1,000
San Francisco	<u>186,000</u>	<u>48,000</u>	<u>40,000</u>	<u>1,000</u>	<u>1,000</u>	<u>276,000</u>
	760,000	308,000	366,000	49,000	4,000	1,487,000

1,487,000 sheets at \$49.58 \$73,725.46

The charges against the several Federal Reserve Banks are as follows:

	<u>Sheets</u>	<u>Compen- sation</u>	<u>Plate Printing</u>	<u>Mater- ials</u>	<u>Inc.Com- pensation</u>	<u>Total</u>
New York	11,000	\$ 183.15	\$ 175.67	\$ 134.31	\$ 52.25	\$ 545.38
Philadelphia.	387,000	6,443.55	6,180.39	4,725.27	1,838.25	19,187.46
Cleveland ...	231,000	3,846.15	3,689.07	2,820.51	1,097.25	11,452.98
Richmond	123,000	2,047.95	1,964.31	1,501.83	584.25	6,098.34
Atlanta	202,000	3,363.30	3,225.94	2,466.42	959.50	10,015.16
St. Louis ...	1,000	16.65	15.97	12.21	4.75	49.58
Minneapolis..	107,000	1,781.55	1,708.79	1,306.47	508.25	5,305.06
Kansas City..	148,000	2,464.20	2,363.56	1,807.08	703.00	7,337.84
Dallas	1,000	16.65	15.97	12.21	4.75	49.58
San Francisco	<u>276,000</u>	<u>4,595.40</u>	<u>4,407.72</u>	<u>3,369.96</u>	<u>1,311.00</u>	<u>13,684.08</u>
	1,487,000	\$24,758.55	\$23,747.39	\$18,156.27	7,063.25	\$73,725.46

The Bureau appropriations will be reimbursed in the above amount from the indefinite appropriation "Preparation and Issue of Federal Reserve Notes, Reimbursable", and it is requested that your Board cause such indefinite appropriation to be reimbursed in like amount.

Respectfully,

Wm. S. Broughton,
Commissioner.

1201

X-3443a

TREASURY DEPARTMENT
Office of the Secretary
WASHINGTON

June 9, 1922.

The Governor,
Federal Reserve Board.

Sir:

You are advised that the Department has referred to the General Accounting Office, Treasury Department Division, for settlement, the account of the Bureau of Engraving and Printing for preparing Federal Reserve notes during the period May 1 to May 31, 1922, amounting to \$9.92 as follows:

Federal Reserve Notes 1918

\$1000

Philadelphia 200 sheets at \$49.50 \$9.92

The Bureau appropriations will be reimbursed as follows from the indefinite appropriation "Preparation and Issue of Federal Reserve Notes, Reimbursable", and it is requested that your Board cause such indefinite appropriation to be reimbursed in like amount.

Compensation of Employes	\$3.33
Plate Printing	3.20
Materials & Miscellaneous Expenses	2.44
Increased Compensation	<u>95</u>
	\$9.92

Respectfully,

Wm. S. Broughton,
Commissioner.

FEDERAL RESERVE BOARD

WASHINGTON

X-3444

June 15, 1922.

SUBJECT: Test Examinations of Paper Currency
presented for Redemption, May, 1922.

Dear Sir:

Section 1 of the currency plan approved by the Treasury Department, the Federal Reserve Board, and by the Governors of the Federal Reserve Banks at their conference held in Washington during May, 1922, provides that test examinations of each kind and denomination of paper currency presented for redemption by each Federal Reserve Bank shall be made under the general supervision of the Treasury and Federal Reserve Board Currency Committee, and that the results of such examinations shall be reported at the end of each month to the Federal Reserve Board for the information and guidance of the Federal Reserve Banks in the effort which is being made to avoid the destruction of any appreciable number of notes actually fit for further circulation.

There is enclosed herewith a statement setting forth the results of test examinations made of paper currency sent in for redemption by each Federal Reserve Bank and Branch during the month of May, 1922. In determining the standard of fitness of the notes examined, the test described in Section 1 of the currency plan was applied.

The Treasury Currency Committee has advised the Board that the figures given in the attached statement purporting to be the number of fit Federal Reserve notes found in the redemptions of each Bank and Branch during May should be reduced about one-fifth to allow for the fact that examinations of half notes were made to determine the standard of fitness of Federal Reserve notes sent in for redemption.

Very truly yours,

(Enclosure)

Walter L. Eddy,
Assistant Secretary.

X-3444a

IN ACCORDANCE WITH THE PROVISIONS OF THE CURRENCY PLAN ADOPTED AT THE GOVERNORS' CONFERENCE HELD IN MAY, 1922, TEST EXAMINATIONS OF EACH KIND AND EACH DENOMINATION OF PAPER CURRENCY PRESENTED FOR REDEMPTION DURING THE MONTH OF MAY, 1922, HAVE BEEN MADE UNDER THE SUPERVISION OF THE TREASURY AND FEDERAL RESERVE BOARD CURRENCY COMMITTEE, AND THE RESULTS THEREOF ARE AS SHOWN HEREIN.

FEDERAL RESERVE BANK OF BOSTONU. S. CURRENCY (Half Notes)

Denomination	Ones	Twos	Fives	Tens	Twenties	Total
No. Notes Examined	7,000	1,300	1,000	200	100	9,600
No. Fit Notes	1,989	190	674	100	57	3,010
% of Fit Notes	28	15	67	50	57	31

F. R. BANK NOTES

No. Notes Examined	12,000	12,100	-	-	-	24,100
No. Fit Notes	818	1,138	-	-	-	1,956
% of Fit Notes	6.8	9.4	-	-	-	8.1

FEDERAL RESERVE NOTES (Half Notes)

Denomination	Fives	Tens	Twenties	Fifties	Hundreds	Total
No. Notes Examined	15,900	15,800	15,300	-	-	47,000
No. Fit Notes	10,577	9,145	5,620	-	-	25,342
% of Fit Notes	66.5	57.8	36.7	-	-	53.9

NATIONAL BANK NOTES

No. Notes Examined	12,700	11,200	3,000	180	130	27,210
No. Fit Notes	2,925	907	238	36	10	4,116
% of Fit Notes	23	8	7.9	30.0	7.6	15.1

FEDERAL RESERVE BANK OF NEW YORKU. S. CURRENCY (Half Notes)

Denomination	Ones	Twos	Fives	Tens	Twenties	Total
No. Notes Examined	24,000	2,000	2,500	400	200	29,100
No. Fit Notes	7,007	662	1,009	132	46	8,856
% of Fit Notes	29	33	40	33	23	30

F. R. BANK NOTES

No. Notes Examined	19,500	16,400	15,900	100	-	51,900
No. Fit Notes	790	1,117	1,728	20	-	3,655
% of Fit Notes	4	6.8	10.8	20	-	7.0

FEDERAL RESERVE NOTES (Half Notes)

Denomination	Fives	Tens	Twenties	Fifties	Hundreds	Total
No. Notes Examined	16,100	15,700	16,000	-	-	47,800
No. Fit Notes	9,370	10,517	8,201	-	-	28,088
% of Fit Notes	58.1	63.8	51.2	-	-	58.7

NATIONAL BANK NOTES

No. Notes Examined	16,000	17,900	12,500	1,500	2,309	50,209
No. Fit Notes	2,571	1,583	711	281	393	5,539
% of Fit Notes	16.0	8.8	5.6	18.7	17.0	11.0

FEDERAL RESERVE BANK OF PHILADELPHIA

U. S. CURRENCY (Half Notes)

Denomination	Ones	Twos	Fives	Tens	Twenties	Total
No. Notes Examined	10,000	1,000	500	100	-	11,600
No. Fit Notes	3,776	240	350	6	-	4,372
% of Fit Notes	38	24	70	6	-	38

F. R. BANK NOTES

No. Notes Examined	15,300	10,400	-	-	-	25,700
No. Fit Notes	447	1,713	-	-	-	2,160
% of Fit Notes	2.9	16.4	-	-	-	8.4

FEDERAL RESERVE NOTES (Half Notes)

Denomination	Fives	Tens	Twenties	Fifties	Hundreds	Total
No. Notes Examined	16,000	16,000	14,700	-	-	46,700
No. Fit Notes	10,763	9,383	7,634	-	-	27,780
% of Fit Notes	67	58.6	51.9	-	-	59.4

NATIONAL BANK NOTES

No. Notes Examined	2,100	4,000	1,225	60	25	7,410
No. Fit Notes	587	1,160	132	8	6	1,893
% of Fit Notes	27.9	29	10.7	13.3	24.0	25.6

FEDERAL RESERVE BANK OF CLEVELAND

U. S. CURRENCY (Half Notes)

Denomination	Ones	Twos	Fives	Tens	Twenties	Total
No. Notes Examined	10,000	500	500	200	-	11,200
No. Fit Notes	1,095	110	132	90	-	1,427
% of Fit Notes	11	22	26	45	-	13

F. R. BANK NOTES

No. Notes Examined	19,300	12,900	900	800	-	33,900
No. Fit Notes	130	759	20	133	-	1,042
% of Fit Notes	0.6	5.9	2.2	16.6	-	3.1

FEDERAL RESERVE NOTES (Half Notes)

Denomination	Fives	Tens	Twenties	Fifties	Hundreds	Total
No. Notes Examined	13,300	11,100	8,800	-	-	33,200
No. Fit Notes	6,586	4,090	5,561	-	-	16,237
% of Fit Notes	49.5	36.8	63.1	-	-	48.9

NATIONAL BANK NOTES

No. Notes Examined	25,200	12,800	13,100	300	58	51,458
No. Fit Notes	2,156	2,053	828	25	4	5,066
% of Fit Notes	8.5	16.0	6.3	8.3	6.8	9.8

FEDERAL RESERVE BANK OF RICHMONDU. S. CURRENCY (Half Notes)

Denomination	Ones	Twos	Fives	Tens	Twenties	Total
No. Notes Examined	10,000	1,000	600	100	-	11,700
No. Fit Notes	1,864	383	257	43	-	2,547
% of Fit Notes	19	38	43	43	-	22

F. R. BANK NOTES

No. Notes Examined	10,100	2,400	-	-	-	12,500
No. Fit Notes	112	134	-	-	-	246
% of Fit Notes	1.1	5.5	-	-	-	1.9

FEDERAL RESERVE NOTES (Half Notes)

Denomination	Fives	Tens	Twenties	Fifties	Hundreds	Total
No. Notes Examined	4,000	3,100	2,900	-	-	10,000
No. Fit Notes	2,034	1,383	2,128	-	-	5,545
% of Fit Notes	50.8	44.6	73.3	-	-	55.4

NATIONAL BANK NOTES

No. Notes Examined	4,000	2,600	400	20	-	7,020
No. Fit Notes	325	132	55	-	-	512
% of Fit Notes	8.1	5.0	13.7	-	-	7.3

FEDERAL RESERVE BANK OF ATLANTAU. S. CURRENCY (Half Notes)

Denomination	Ones	Twos	Fives	Tens	Twenties	Total
No. Notes Examined	6,000	500	400	200	-	7,100
No. Fit Notes	1,631	154	201	116	-	2,102
% of Fit Notes	27	31	50	58	-	30

F. R. BANK NOTES

No. Notes Examined	29,900	2,800	3,900	1,000	-	37,600
No. Fit Notes	1,774	318	498	453	-	3,043
% of Fit Notes	5.9	11.3	12.7	45.3	-	8.1

FEDERAL RESERVE NOTES (Half Notes)

Denomination	Fives	Tens	Twenties	Fifties	Hundreds	Total
No. Notes Examined	16,300	12,000	8,000	-	-	36,300
No. Fit Notes	7,834	4,228	4,376	-	-	16,438
% of Fit Notes	48.0	35.2	54.7	-	-	45.2

NATIONAL BANK NOTES

No. Notes Examined	17,850	20,500	2,300	-	-	40,650
No. Fit Notes	2,517	2,891	102	-	-	5,510
% of Fit Notes	14.1	14.1	4.4	-	-	13.5

FEDERAL RESERVE BANK OF CHICAGOU. S. CURRENCY (Half Notes)

Denomination	Ones	Twos	Fives	Tens	Twenties	Total
No. Notes Examined	9,000	600	200	200	100	10,100
No. Fit Notes	1,320	119	18	69	29	1,555
% of Fit Notes	15	20	9	34	29	15

F. R. BANK NOTES

No. Notes Examined	12,200	13,900	5,400	2,000	1,900	35,400
No. Fit Notes	98	761	259	37	585	1,740
% of Fit Notes	0.8	5.4	4.7	1.8	30.7	5.0

FEDERAL RESERVE NOTES (Half Notes)

Denomination	Fives	Tens	Twenties	Fifties	Hundreds	Total
No. Notes Examined	15,900	16,000	15,300	-	-	47,200
No. Fit Notes	7,410	6,799	6,270			20,479
% of Fit Notes	46.6	42.4	40.9			43.4

NATIONAL BANK NOTES

No. Notes Examined	15,400	21,600	7,800	200	100	45,100
No. Fit Notes	394	1,772	189	44	16	2,415
% of Fit Notes	2.5	8.2	2.4	22.0	16.0	5.3

FEDERAL RESERVE BANK OF ST. LOUISU. S. CURRENCY (Half Notes)

Denomination	Ones	Twos	Fives	Tens	Twenties	Total
No. Notes Examined	4,000	100	400	100	100	4,700
No. Fit Notes	1,357	72	322	71	61	1,883
% of Fit Notes	34	72	80	71	61	40

F. R. BANK NOTES

No. Notes Examined	17,200	3,500	1,600	600	900	23,800
No. Fit Notes	1,077	370	269	122	137	1,975
% of Fit Notes	6.2	10.5	16.8	20.3	15.2	8.3

FEDERAL RESERVE NOTES (Half Notes)

Denomination	Fives	Tens	Twenties	Fifties	Hundreds	Total
No. Notes Examined	8,000	8,000	8,000	-	-	24,000
No. Fit Notes	3,156	4,769	5,077			13,002
% of Fit Notes	39.4	59.6	63.4			54.2

NATIONAL BANK NOTES

No. Notes Examined	19,600	16,000	3,600	100	20	39,320
No. Fit Notes	4,286	1,148	628	15	0	6,077
% of Fit Notes	21.3	7.1	17.4	15	0	15.4

FEDERAL RESERVE BANK OF MINNEAPOLISU. S. CURRENCY (Half Notes)

Denomination	Ones	Twos	Fives	Tens	Twenties	Total
No. Notes Examined	2,200	100	300	-	-	2,600
No. Fit Notes	763	30	157			950
% of Fit Notes	34	30	52			37

F. R. BANK NOTES

No. Notes Examined	9,000	3,500	1,300	200	-	14,000
No. Fit Notes	849	433	47	9		1,338
% of Fit Notes	9.4	12.3	3.6	4.5		9.5

FEDERAL RESERVE NOTES (Half Notes)

Denomination	Fives	Tens	Twenties	Fifties	Hundreds	Total
No. Notes Examined	12,000	11,800	5,900	-	-	29,700
No. Fit Notes	6,096	5,687	3,704			15,487
% of Fit Notes	50.8	48.1	62.7			52.1

NATIONAL BANK NOTES

No. Notes Examined	8,500	11,000	1,700	-	-	21,200
No. Fit Notes	736	673	210			1,619
% of Fit Notes	8.6	6.1	12.3			7.6

FEDERAL RESERVE BANK OF KANSAS CITYU. S. CURRENCY (Half Notes)

Denomination	Ones	Twos	Fives	Tens	Twenties	Total
No. Notes Examined	2,000	100	100	-	100	2,300
No. Fit Notes	887	45	50		65	1,047
% of Fit Notes	44	45	50		65	46

F. R. BANK NOTES

No. Notes Examined	12,000	3,200	500	100	-	15,800
No. Fit Notes	384	271	0	3		658
% of Fit Notes	3.2	8.4	0.0	3		4.2

FEDERAL RESERVE NOTES (Half Notes)

Denomination	Fives	Tens	Twenties	Fifties	Hundreds	Total
No. Notes Examined	12,000	7,900	7,000	-	-	26,900
No. Fit Notes	3,855	1,748	2,621			8,224
% of Fit Notes	32.1	22.1	37.4			30.6

NATIONAL BANK NOTES

No. Notes Examined	19,400	23,000	2,000	100	50	44,550
No. Fit Notes	2,080	2,848	247	30	0	5,205
% of Fit Notes	10.7	12.3	12.3	30	0	11.7

FEDERAL RESERVE BANK OF DALLASU. S. CURRENCY (Half Notes)

Denomination	Ones	Twos	Fives	Tens	Twenties	Total
No. Notes Examined	2,000	-	200	-	-	2,200
No. Fit Notes	609	-	60	-	-	669
% of Fit Notes	30	-	30	-	-	30

F. R. BANK NOTES

No. Notes Examined	18,800	1,000	300	200	-	20,300
No. Fit Notes	620	35	8	22	-	685
% of Fit Notes	3.2	3.5	2.6	11.0	-	3.8

FEDERAL RESERVE NOTES (Half Notes)

Denomination	Fives	Tens	Twenties	Fifties	Hundreds	Total
No. Notes Examined	12,000	3,000	3,400	-	-	18,400
No. Fit Notes	3,867	1,258	1,799	-	-	6,924
% of Fit Notes	32.2	41.9	52.9	-	-	37.6

NATIONAL BANK NOTES

No. Notes Examined	20,000	20,300	3,120	120	30	43,570
No. Fit Notes	2,476	3,335	402	8	2	6,223
% of Fit Notes	12.3	16.4	12.8	6.6	6.6	14.3

FEDERAL RESERVE BANK OF SAN FRANCISCOU. S. CURRENCY (Half Notes)

Denomination	Ones	Twos	Fives	Tens	Twenties	Total
No. Notes Examined	1,800	-	100	-	-	1,900
No. Fit Notes	1,153	-	72	-	-	1,225
% of Fit Notes	64	-	72	-	-	64

F. R. BANK NOTES

No. Notes Examined	21,700	10,600	2,100	500	-	34,900
No. Fit Notes	7,829	4,170	453	60	-	12,512
% of Fit Notes	36.0	39.3	21.5	12.0	-	35.8

FEDERAL RESERVE NOTES (Half Notes)

Denomination	Fives	Tens	Twenties	Fifties	Hundreds	Total
No. Notes Examined	11,600	12,000	12,000	-	-	35,600
No. Fit Notes	5,442	9,333	8,080	-	-	22,855
% of Fit Notes	46.8	77.7	67.3	-	-	64.2

NATIONAL BANK NOTES

No. Notes Examined	25,100	31,300	15,900	574	100	72,974
No. Fit Notes	3,840	7,963	2,174	140	7	14,124
% of Fit Notes	15.2	25.4	13.6	24.3	7.0	19.3

FEDERAL RESERVE BANK OF NEW YORK
BUFFALO BRANCH

U. S. CURRENCY (Half Notes)

<u>Denomination</u>	<u>Ones</u>	<u>Twos</u>	<u>Fives</u>	<u>Tens</u>	<u>Twenties</u>	<u>Total</u>
No. Notes Examined	2,000	200	100	100	-	2,400
No. Fit Notes	148	60	33	24		265
% of Fit Notes	7	30	33	24		11

F. R. BANK NOTES

No. Notes Examined	8,000	11,900	-	-	-	19,900
No. Fit Notes	213	664				877
% of Fit Notes	2.6	5.5				4.4

FEDERAL RESERVE NOTES (Half Notes)

<u>Denomination</u>	<u>Fives</u>	<u>Tens</u>	<u>Twenties</u>	<u>Fifties</u>	<u>Hundreds</u>	<u>Total</u>
No. Notes Examined	8,000	8,000	8,000	-	-	24,000
No. Fit Notes	5,889	3,669	3,293			12,851
% of Fit Notes	73.6	45.8	41.1			53.5

NATIONAL BANK NOTES

No. Notes Examined	8,000	6,000	3,900	100	-	18,000
No. Fit Notes	105	980	46	42		1,173
% of Fit Notes	1.3	16.3	1.1	42.0		6.5

FEDERAL RESERVE BANK OF CLEVELAND
CINCINNATI BRANCH

U. S. CURRENCY (Half Notes)

Denomination	Ones	Twos	Fives	Tens	Twenties	Total
No. Notes Examined	5,000	200	200	200	100	5,700
No. Fit Notes	1,657	108	112	60	39	1,986
% of Fit Notes	33	54	56	30	39	35

F. R. BANK NOTES

No. Notes Examined	9,000	2,000	1,000	-	-	12,000
No. Fit Notes	491	16	104			611
% of Fit Notes	5.4	0.8	10.4			51

FEDERAL RESERVE NOTES (Half Notes)

Denomination	Fives	Tens	Twenties	Fifties	Hundreds	Total
No. Notes Examined	11,900	12,000	5,000	-	-	28,900
No. Fit Notes	5,345	7,994	2,292			15,631
% of Fit Notes	44.9	66.6	45.8			5.3

NATIONAL BANK NOTES

No. Notes Examined	3,900	16,000	2,900	100	50	22,950
No. Fit Notes	143	2,083	101	3	0	2,330
% of Fit Notes	3.6	13.0	3.4	3.0	0	10.1

PITTSBURG BRANCHU. S. CURRENCY (Half Notes)

Denomination	Ones	Twos	Fives	Tens	Twenties	Total
No. Notes Examined	2,000	200	200	200	100	2,700
No. Fit Notes	592	38	50	84	82	846
% of Fit Notes	30	19	25	42	82	31

F. R. BANK NOTES

No. Notes Examined	7,900	-	1,600	-	-	9,500
No. Fit Notes	395		300			695
% of Fit Notes	5.0		18.7			7.3

FEDERAL RESERVE NOTES (Half Notes)

Denomination	Fives	Tens	Twenties	Fifties	Hundreds	Total
No. Notes Examined	16,300	15,900	15,800	-	-	48,000
No. Fit Notes	6,681	7,703	8,877			23,261
% of Fit Notes	40.9	48.1	56.1			48.4

NATIONAL BANK NOTES

No. Notes Examined	11,200	14,200	12,000	400	150	37,950
No. Fit Notes	1,327	3,167	1,499	10	13	6,016
% of Fit Notes	11.8	22.3	12.4	2.5	8.6	15.8

FEDERAL RESERVE BANK OF RICHMOND
BALTIMORE BRANCH

U. S. CURRENCY (Half Notes)

Denomination	Ones	Twos	Fives	Tens	Twenties	Total
No. Notes Examined	2,000	200	200	300	200	2,900
No. Fit Notes	722	97	133	170	116	1,238
% of Fit Notes	36	48	66	56	58	43

F. R. BANK NOTES

No. Notes Examined	12,100	4,100	500	700	100	17,500
No. Fit Notes	502	218	3	80	-	803
% of Fit Notes	4.1	5.3	0.6	11.4	-	4.6

FEDERAL RESERVE NOTES (Half Notes)

Denomination	Fives	Tens	Twenties	Fifties	Hundreds	Total
No. Notes Examined	6,900	4,500	1,400	-	-	12,800
No. Fit Notes	2,961	2,441	451	-	-	5,853
% of Fit Notes	42.9	54.2	32.2	-	-	45.7

NATIONAL BANK NOTES

No. Notes Examined	1,000	2,200	1,500	-	-	4,700
No. Fit Notes	166	203	136	-	-	505
% of Fit Notes	16.6	9.2	9.0	-	-	10.7

FEDERAL RESERVE BANK OF ATLANTA
NEW ORLEANS BRANCH

U. S. CURRENCY (Half Notes)

Denomination	Ones	Twos	Fives	Tens	Twenties	Total
No. Notes Examined	2,000	200	200	200	-	2,600
No. Fit Notes	845	32	106	117	-	1,100
% of Fit Notes	42	16	53	58	-	42

F. R. BANK NOTES

No. Notes Examined	4,600	6,100	-	-	-	10,700
No. Fit Notes	7	623	-	-	-	630
% of Fit Notes	0.1	10.2	-	-	-	5.9

FEDERAL RESERVE NOTES (Half Notes)

Denomination	Fives	Tens	Twenties	Fifties	Hundreds	Total
No. Notes Examined	12,100	15,900	4,400	-	-	32,400
No. Fit Notes	6,785	9,584	2,982	-	-	19,351
% of Fit Notes	56.0	60.2	67.7	-	-	59.7

NATIONAL BANK NOTES

No. Notes Examined	7,700	7,900	2,200	-	-	17,800
No. Fit Notes	880	930	365	-	-	2,175
% of Fit Notes	11.4	11.7	16.5	-	-	12.2

NASHVILLE BRANCHU. S. CURRENCY (Half Notes)

Denomination	Ones	Twos	Fives	Tens	Twenties	Total
No. Notes Examined	2,000	200	200	100	-	2,500
No. Fit Notes	616	44	83	34	-	777
% of Fit Notes	31	22	41	34	-	31

F. R. BANK NOTES

No. Notes Examined	10,300	500	800	100	-	11,700
No. Fit Notes	530	55	179	21	-	785
% of Fit Notes	5.1	11.0	22.3	21.0	-	6.7

FEDERAL RESERVE NOTES (Half Notes)

Denomination	Fives	Tens	Twenties	Fifties	Hundreds	Total
No. Notes Examined	1,400	600	300	-	-	2,300
No. Fit Notes	788	413	201	-	-	1,402
% of Fit Notes	56.2	68.8	67.0	-	-	60.9

NATIONAL BANK NOTES

No. Notes Examined	6,000	2,100	1,600	-	-	9,700
No. Fit Notes	1,295	160	427	-	-	1,882
% of Fit Notes	21.5	7.6	26.0	-	-	19.4

FEDERAL RESERVE BANK OF ATLANTA
BIRMINGHAM BRANCH

U. S. CURRENCY (Half Notes)

<u>Denomination</u>	<u>Ones</u>	<u>Twos</u>	<u>Fives</u>	<u>Tens</u>	<u>Twenties</u>	<u>Total</u>
No. Notes Examined	2,000	100	100	-	-	2,200
No. Fit Notes	422	24	27			473
% of Fit Notes	21	24	27			21

F. R. BANK NOTES

No. Notes Examined	10,800	1,000	100	-	-	11,900
No. Fit Notes	596	128	14			738
% of Fit Notes	5.5	12.8	14.0			6.2

FEDERAL RESERVE NOTES (Half Notes)

<u>Denomination</u>	<u>Fives</u>	<u>Tens</u>	<u>Twenties</u>	<u>Fifties</u>	<u>Hundreds</u>	<u>Total</u>
No. Notes Examined	4,000	3,000	2,200	-	-	9,200
No. Fit Notes	1,800	322	1,011			3,633
% of Fit Notes	45.0	27.4	45.9			39.5

NATIONAL BANK NOTES

No. Notes Examined	16,600	8,800	3,500	52	19	28,971
No. Fit Notes	2,084	552	190	0	0	2,826
% of Fit Notes	12.5	6.1	5.4	0	0	9.7

JACKSONVILLE BRANCHU. S. CURRENCY (Half Notes)

<u>Denomination</u>	<u>Ones</u>	<u>Twos</u>	<u>Fives</u>	<u>Tens</u>	<u>Twenties</u>	<u>Total</u>
No. Notes Examined	2,000	200	200	-	-	2,400
No. Fit Notes	678	53	80			821
% of Fit Notes	34	31	40			34

F. R. BANK NOTES

No. Notes Examined	12,000	900	1,000	-	-	13,900
No. Fit Notes	336	142	93			561
% of Fit Notes	2.7	15.7	9.3			4.0

NATIONAL BANK NOTES

<u>Denomination</u>	<u>Fives</u>	<u>Tens</u>	<u>Twenties</u>	<u>Fifties</u>	<u>Hundreds</u>	<u>Total</u>
No. Notes Examined	15,100	10,000	4,000	64	15	29,179
No. Fit Notes	2,228	1,510	330	20	10	4,098
% of Fit Notes	14.7	15.1	8.2	31.2	66.6	14.0

FEDERAL RESERVE BANK OF CHICAGO
DETROIT BRANCH

U. S. CURRENCY (Half Notes)

Denomination	Ones	Twos	Fives	Tens	Twenties	Total
No. Notes Examined	2,000	200	200	200	100	2,700
No. Fit Notes	299	59	62	71	67	558
% of Fit Notes	15	29	31	35	67	21

F. R. BANK NOTES

No. Notes Examined	16,000	10,000	1,000	-	-	27,000
No. Fit Notes	102	185	14	-	-	301
% of Fit Notes	0.6	1.8	1.4	-	-	1.1

FEDERAL RESERVE NOTES (Half Notes)

Denomination	Fives	Tens	Twenties	Fifties	Hundreds	Total
No. Notes Examined	8,000	7,900	8,000	-	-	23,900
No. Fit Notes	2,557	3,510	3,633	-	-	9,700
% of Fit Notes	31.9	44.4	45.4	-	-	40.5

NATIONAL BANK NOTES

No. Notes Examined	9,200	5,000	-	200	-	14,400
No. Fit Notes	1,071	337	-	22	-	1,430
% of Fit Notes	11.6	6.7	-	11.0	-	9.9

FEDERAL RESERVE BANK OF ST. LOUIS
MEMPHIS BRANCH

U. S. CURRENCY (Half Notes)

Denomination	Ones	Twos	Fives	Tens	Twenties	Total
No. of Notes Examined	2,000	200	200	200	-	2,600
No. Fit Notes	483	65	78	99		725
% of Fit Notes	24	32	38	49		28

F. R. BANK NOTES

No. Notes Examined	10,000	1,400	300	-	-	11,700
No. Fit Notes	618	348	32			998
% of Fit Notes	6.1	24.8	10.6			8.5

FEDERAL RESERVE NOTES (Half Notes)

Denomination	Fives	Tens	Twenties	Fifties	Hundreds	Total
No. Notes Examined	8,000	7,200	3,200	-	-	18,400
No. Fit Notes	3,144	2,919	1,129			7,192
% of Fit Notes	39.3	40.5	35.2			39

NATIONAL BANK NOTES

No. Notes Examined	5,000	8,000	3,000	-	-	16,000
No. Fit Notes	1,854	759	707			3,320
% of Fit Notes	37.0	9.4	23.5			20.8

LOUISVILLE BRANCHU. S. CURRENCY (Half Notes)

Denomination	Ones	Twos	Fives	Tens	Twenties	Total
No. Notes Examined	2,000	100	200	200	200	2,700
No. Fit Notes	1,252	41	149	179	188	1,809
% of Fit Notes	63	41	74	89	94	67

F. R. BANK NOTES

No. Notes Examined	8,500	-	200	-	-	8,700
No. Fit Notes	779		38			817
% of Fit Notes	9.1		19			9.4

NATIONAL BANK NOTES

Denomination	Fives	Tens	Twenties	Fifties	Hundreds	Total
No. Notes Examined	16,800	17,300	6,500	550	115	41,265
No. Fit Notes	7,818	5,441	2,316	219	49	15,843
% of Fit Notes	46.5	31.4	35.6	39.8	42.6	38.4

FEDERAL RESERVE BANK OF ST. LOUIS
LITTLE ROCK BRANCH

U. S. CURRENCY (Half Notes)

<u>Denomination</u>	<u>Ones</u>	<u>Twos</u>	<u>Fives</u>	<u>Tens</u>	<u>Twenties</u>	<u>Total</u>
No. Notes Examined	2,000	200	200	100	100	2,600
No. Fit Notes	446	107	78	-	-	631
% of Fit Notes	22	53	39			24

F. R. BANK NOTES

No. Notes Examined	11,700	2,200	600	-	-	14,500
No. Fit Notes	101	53	54			208
% of Fit Notes	0.8	2.4	9.0			14.3

FEDERAL RESERVE NOTES (Half Notes)

<u>Denomination</u>	<u>Fives</u>	<u>Tens</u>	<u>Twenties</u>	<u>Fifties</u>	<u>Hundreds</u>	<u>Total</u>
No. Notes Examined	4,000	4,000	1,700	-	-	9,700
No. Fit Notes	2,589	2,200	985			5,774
% of Fit Notes	64.7	55.0	57.8			59.5

NATIONAL BANK NOTES

No. Notes Examined	6,600	8,800	2,300	-	-	17,700
No. Fit Notes	301	328	66			695
% of Fit Notes	4.5	3.7	2.8			3.9

FEDERAL RESERVE BANK OF MINNEAPOLIS
HELENA BRANCH

U. S. CURRENCY (Half Notes)

Denomination	Ones	Twos	Fives	Tens	Twenties	Total
No. Notes Examined	1,000	100	100	100	100	1,400
No. Fit Notes	228	25	22	3	14	292
% of Fit Notes	23	25	22	3	14	21

F. R. BANK NOTES

No. Notes Examined	5,200	2,000	100	-	-	7,300
No. Fit Notes	287	236	6	-	-	529
% of Fit Notes	5.5	11.8	6	-	-	7.2

FEDERAL RESERVE NOTES (Half Notes)

Denomination	Ones	Twos	Fives	Tens	Twenties	Total
No. Notes Examined	4,000	2,000	2,000	-	-	8,000
No. Fit Notes	1,921	1,455	1,028	-	-	4,504
% of Fit Notes	48.0	72.7	51.4	-	-	56.3

NATIONAL BANK NOTES

No. Notes Examined	1,900		500	-	-	2,400
No. Fit Notes	82		8	-	-	90
% of Fit Notes	4.3		1.6	-	-	3.7

FEDERAL RESERVE BANK OF KANSAS CITY
OMAHA BRANCH

U. S. CURRENCY (Half Notes)

Denomination	Ones	Twos	Fives	Tens	Twenties	Total
No. Notes Examined	2,000	100	200	100	-	2,400
No. Fit Notes	121	13	13	-	-	147
% of Fit Notes	6	13	6	-	-	6

F. R. BANK NOTES

No. Notes Examined	9,900	-	2,000	-	-	11,900
No. Fit Notes	265	-	65	-	-	330
% of Fit Notes	2.6	-	3.2	-	-	2.8

NATIONAL BANK NOTES

Denomination	Fives	Tens	Twenties	Fifties	Hundreds	Total
No. Notes Examined	8,500	8,100	2,900	62	20	19,582
No. Fit Notes	312	125	9	0	0	446
% of Fit Notes	3.6	1.5	0.3	0	0	2.3

DENVER BRANCHU. S. CURRENCY (Half Notes)

Denomination	Ones	Twos	Fives	Tens	Twenties	Total
No. Notes Examined	2,000	100	300	-	-	2,400
No. Fit Notes	705	67	146	-	-	918
% of Fit Notes	35	67	48	-	-	38

F. R. BANK NOTES

No. Notes Examined	16,300	2,100	11,700	-	-	30,100
No. Fit Notes	1,375	236	665	-	-	2,276
% of Fit Notes	8.4	11.2	5.6	-	-	7.5

FEDERAL RESERVE NOTES (Half Notes)

Denomination	Fives	Tens	Twenties	Fifties	Hundreds	Total
No. Notes Examined	-	3,200	2,200	-	-	5,400
No. Fit Notes	-	746	1,243	-	-	1,989
% of Fit Notes	-	23.3	56.5	-	-	36.2

NATIONAL BANK NOTES

No. Notes Examined	10,300	8,000	4,500	100	100	23,100
No. Fit Notes	563	955	165	4	7	1,694
% of Fit Notes	5.4	11.9	3.5	4.0	7.0	7.3

FEDERAL RESERVE BANK OF KANSAS CITY
OKLAHOMA CITY BRANCH

740

U. S. CURRENCY (Half Notes)

<u>Denomination</u>	<u>Ones</u>	<u>Twos</u>	<u>Fives</u>	<u>Tens</u>	<u>Twenties</u>	<u>Total</u>
No. Notes Examined	2,000	200	200	100	-	2,500
No. Fit Notes	597	137	107	60		901
% of Fit Notes	30	68	53	60		36

F. R. BANK NOTES

No. Notes Examined	9,300	1,000	4,700	-	-	15,000
No. Fit Notes	201	58	1,006			1,265
% of Fit Notes	2.1	5.8	21.4			8.4

NATIONAL BANK NOTES

<u>Denomination</u>	<u>Fives</u>	<u>Tens</u>	<u>Twenties</u>	<u>Fifties</u>	<u>Hundreds</u>	<u>Total</u>
No. Notes Examined	9,100	7,000	3,900	100	50	20,150
No. Fit Notes	1,183	838	564	21	29	2,635
% of Fit Notes	13.0	11.9	14.4	21.0	58.0	13.1

FEDERAL RESERVE BANK OF DALLAS
EL PASO BRANCH

U. S. CURRENCY (Half Notes)

Denomination	Ones	Twos	Fives	Tens	Twenties	Total
No. Notes Examined	2,000	100	100	-	-	2,200
No. Fit Notes	715	38	31	-	-	784
% of Fit Notes	36	38	31	-	-	36

F. R. BANK NOTES

No. Notes Examined	7,900	1,000	-	-	-	8,900
No. Fit Notes	98	148	-	-	-	246
% of Fit Notes	1.2	14.8	-	-	-	2.7

FEDERAL RESERVE NOTES (Half Notes)

Denomination	Fives	Tens	Twenties	Fifties	Hundreds	Total
No. Notes Examined	-	-	-	-	-	-
No. Fit Notes	-	-	-	-	-	-
% of Fit Notes	-	-	-	-	-	-

NATIONAL BANK NOTES

No. Notes Examined	3,600	3,800	700	180	20	8,300
No. Fit Notes	294	624	164	-	1	1,083
% of Fit Notes	8.1	16.4	23.4	0.0	5.0	13.0

FEDERAL RESERVE BANK OF DALLAS
HOUSTON BRANCH

U. S. CURRENCY (Half Notes)

Denomination	Ones	Twos	Fives	Tens	Twenties	Total
No. Notes Examined	1,000	-	-	-	-	1,000
No. Fit Notes	126	-	-	-	-	126
% of Fit Notes	13	-	-	-	-	13

F. R. BANK NOTES

No. Notes Examined	7,300	4,100	100	-	-	11,500
No. Fit Notes	43	128	2	-	-	173
% of Fit Notes	0.5	3.1	2.0	-	-	15.2

FEDERAL RESERVE NOTES (Half Notes)

Denomination	Fives	Tens	Twenties	Fifties	Hundreds	Total
No. Notes Examined	4,000	1,800	1,600	-	-	7,400
No. Fit Notes	1,869	631	905	-	-	3,405
% of Fit Notes	46.7	35.0	56.5	-	-	46.0

NATIONAL BANK NOTES

No. Notes Examined	11,300	7,600	2,900	-	100	21,900
No. Fit Notes	1,410	823	285	-	2	2,520
% of Fit Notes	12.4	10.8	9.8	-	2.0	11.5

FEDERAL RESERVE BANK OF SAN FRANCISCO
LOS ANGELES BRANCH

U. S. CURRENCY (Half Notes)

Denomination	Ones	Twos	Fives	Tens	Twenties	Total
No. Notes Examined	1,000	100	100	100	-	1,300
No. Fit Notes	475	67	70	79	-	691
% of Fit Notes	47	67	70	79	-	53

F. R. BANK NOTES

No. Notes Examined	4,000	2,700	-	-	-	6,700
No. Fit Notes	254	490	-	-	-	744
% of Fit Notes	6.3	18.1	-	-	-	11.1

FEDERAL RESERVE NOTES (Half Notes)

Denomination	Fives	Tens	Twenties	Fifties	Hundreds	Total
No. Notes Examined	8,000	6,800	8,000	-	-	22,800
No. Fit Notes	4,272	3,798	2,566	-	-	10,736
% of Fit Notes	53.4	55.8	33.3	-	-	47.1

NATIONAL BANK NOTES

No. Notes Examined	3,000	10,000	7,400	400	100	22,900
No. Fit Notes	1,641	3,327	1,283	8	3	6,262
% of Fit Notes	32.8	33.2	17.3	2.0	3.0	27.3

PORTLAND BRANCHU. S. CURRENCY (Half Notes)

Denomination	Ones	Twos	Fives	Tens	Twenties	Total
No. Notes Examined	2,000	200	200	-	-	2,400
No. Fit Notes	942	81	125	-	-	1,148
% of Fit Notes	47	40	62	-	-	48

F. R. BANK NOTES

No. Notes Examined	4,900	1,400	100	-	1,000	7,400
No. Fit Notes	758	194	9	-	394	1,365
% of Fit Notes	15.6	13.8	9.0	-	39.4	18.4

FEDERAL RESERVE NOTES (Half Notes)

Denomination	Fives	Tens	Twenties	Fifties	Hundreds	Total
No. Notes Examined	12,000	9,700	11,400	-	-	33,100
No. Fit Notes	5,982	7,322	8,133	-	-	21,437
% of Fit Notes	49.8	75.4	71.3	-	-	64.7

NATIONAL BANK NOTES

No. Notes Examined	5,500	10,800	1,700	-	100	18,200
No. Fit Notes	789	2,929	281	-	18	4,017
% of Fit Notes	14.0	27.1	16.5	-	18.0	22.0

FEDERAL RESERVE BANK OF SAN FRANCISCO
SALT LAKE CITY BRANCH

U. S. CURRENCY (Half Notes)

Denomination	Ones	Twos	Fives	Tens	Twenties	Total
No. Notes Examined	1,900	200	200	100	-	2,400
No. Fit Notes	870	62	75	47		1,054
% of Fit Notes	46	31	37	47		44

F. R. BANK NOTES

No. Notes Examined	4,200	1,200	300			5,700
No. Fit Notes	579	153	93			825
% of Fit Notes	13.7	12.7	31.0			14.5

NATIONAL BANK NOTES

Denomination	Fives	Tens	Twenties	Fifties	Hundreds	Total
No. Notes Examined	3,800	6,700	1,700	28	7	12,235
No. Fit Notes	31	436	317	9	2	795
% of Fit Notes	3.1	6.5	18.6	32.1	28.5	6.5

SEATTLE BRANCHU. S. CURRENCY (Half Notes)

Denomination	Ones	Twos	Fives	Tens	Twenties	Total
No. Notes Examined	2,000	200	200	100	-	2,500
No. Fit Notes	351	136	58	97		1,152
% of Fit Notes	43	68	29	97		46

F. R. BANK NOTES

No. Notes Examined	4,000	900	-	-	-	4,900
No. Fit Notes	299	231				530
% of Fit Notes	7.4	25.6				10.2

FEDERAL RESERVE NOTES (Half Notes)

Denomination	Fives	Tens	Twenties	Fifties	Hundreds	Total
No. Notes Examined	15,900	13,400	15,400	-	-	44,700
No. Fit Notes	8,317	8,561	11,548			28,926
% of Fit Notes	55.4	63.8	74.9			64.7

NATIONAL BANK NOTES

No. Notes Examined	2,800	3,600	1,800	105	50	8,355
No. Fit Notes	308	462	462	43	26	1,801
% of Fit Notes	23.8	12.8	25.6	40.9	52.0	21.5

FEDERAL RESERVE BANK OF SAN FRANCISCO
SPOKANE BRANCH

U. S. CURRENCY (Half Notes)

<u>Denomination</u>	<u>Ones</u>	<u>Twos</u>	<u>Fives</u>	<u>Tens</u>	<u>Twenties</u>	<u>Total</u>
No. Notes Examined	1,000	100	-	-	-	1,100
No. Fit Notes	277	42				319
% of Fit Notes	28	42				29

F. R. BANK NOTES

No. Notes Examined	11,400	1,700	-	-	-	13,100
No. Fit Notes	3,299	343				3,642
% of Fit Notes	28.9	20.1				27.8

FEDERAL RESERVE NOTES (Half Notes)

<u>Denomination</u>	<u>Fives</u>	<u>Tens</u>	<u>Twenties</u>	<u>Fifties</u>	<u>Hundreds</u>	<u>Total</u>
No. Notes Examined	3,800	1,600	1,700	-	-	7,100
No. Fit Notes	2,910	937	1,269			5,116
% of Fit Notes	76.5	58.5	74.6			72

NATIONAL BANK NOTES

No. Notes Examined	3,600	4,100	1,300			9,000
No. Fit Notes	597	121	159			977
% of Fit Notes	19.3	2.9	12.2			10.8

FEDERAL RESERVE BOARD

WASHINGTON

X-3445

June 15, 1922.

CONFIDENTIAL

Dear Sir:

The Board is informed that there have been cases where communications to borrowers from the War Finance Corporation, calling attention to past due paper and demanding payment or adjustment, have been sent out on stationery of Federal Reserve Banks, thus giving the impression that there is some direct connection between the War Finance Corporation and the Federal Reserve Banks. While the Board is, of course, anxious that Federal Reserve Banks should cooperate with the War Finance Corporation in any proper way as provided by law, it feels that nothing should be done to give the impression that Federal Reserve Banks are concerned in forcing payment of loans made by the War Finance Corporation, and it is of the opinion that the use of Federal Reserve Bank stationery in matters which relate entirely to the affairs of the War Finance Corporation should not be permitted.

It is suggested that you look into this matter quietly and that you take such steps as you may deem proper to see that the letterheads and stationery of your Bank are not used in connection with the work of other corporations.

Very truly yours,

G o v e r n o r .

FEDERAL RESERVE BOARD
GOLD SETTLEMENT FUND

X-3446
Washington, D. C.
June 16, 1922.

Summary of transactions for period ending June 15, 1922.

(CONFIDENTIAL)

Federal Reserve Bank of	Balance last statement June 8, 1922.	Gold		Aggregate withdrawals and transfers to Agent's fund	Aggregate deposits and transfers from Agent's fund.	TRANSFERS	
		Withdrawals	Deposits			Debits	Credits
Boston	\$ 13,962,715.35	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,000,000.00
New York	164,902,076.63	-	13,075,000.00	-	13,075,000.00	6,000,000.00	43,000,000.00
Philadelphia	51,135,825.36	-	-	-	-	3,000,000.00	1,000,000.00
Cleveland	44,401,343.30	5,000,000.00	-	5,000,000.00	-	-	-
Richmond	34,856,432.79	-	-	-	-	9,000,000.00	1,000,000.00
Atlanta	23,268,194.58	-	-	-	-	6,000,000.00	-
Chicago	70,272,612.45	-	1,210,000.00	5,000,000.00	1,210,000.00	-	-
St. Louis	15,417,898.19	-	-	3,000,000.00	9,000,000.00	-	-
Minneapolis	23,937,895.10	-	-	-	-	4,000,000.00	-
Kansas City	26,037,106.03	-	-	-	-	5,000,000.00	-
Dallas	13,065,079.89	1,000,000.00	1,000,000.00	1,000,000.00	1,000,000.00	4,000,000.00	-
San Francisco	27,919,971.76	-	1,000,000.00	-	2,246,500.00	12,000,000.00	3,000,000.00
Total	\$ 509,177,151.43	\$ 6,000,000.00	\$ 16,285,000.00	\$ 14,000,000.00	\$ 26,531,500.00	\$ 49,000,000.00	\$ 49,000,000.00

Federal Reserve Bank of	Settlements from June 9, 1922 to June 15, 1922 inclusive.				Balance in fund at close of business June 15, 1922.	Summary of changes in ownership of gold by banks through transfers and settlements.	
	Net Debits	Total Debits	Total Credits	Net Credits		Decrease	Increase
Boston	\$ -	\$ 118,376,044.27	\$ 126,689,002.41	\$ 8,312,958.14	\$ 23,275,673.49	\$ -	\$ 9,312,958.14
New York	84,378,430.52	508,614,264.12	424,235,833.60	-	130,598,646.11	47,378,430.52	-
Philadelphia	-	118,683,061.06	130,876,212.13	12,193,151.07	61,328,976.43	-	10,193,151.07
Cleveland	4,637,409.02	117,590,567.65	112,953,158.63	-	34,763,934.28	4,637,409.02	-
Richmond	-	94,152,046.74	102,834,755.88	8,682,709.14	35,539,141.93	-	682,709.14
Atlanta	-	45,610,189.62	52,070,637.84	6,460,448.22	23,728,642.80	-	460,448.22
Chicago	-	232,883,148.44	272,183,859.80	39,300,711.36	105,783,323.81	-	39,300,711.36
St. Louis	7,636,319.33	116,305,520.52	108,669,201.19	-	13,781,578.86	7,636,319.33	-
Minneapolis	-	28,514,072.62	35,466,977.93	6,952,905.31	26,890,800.41	-	2,952,905.31
Kansas City	-	74,663,224.05	83,100,739.88	8,437,515.83	29,474,621.86	-	3,437,515.83
Dallas	686,634.29	40,861,612.69	40,174,978.40	-	8,378,445.60	4,686,634.29	-
San Francisco	-	55,075,602.29	62,073,996.38	6,998,394.09	28,164,865.85	2,001,605.91	-
Total	\$ 97,338,793.16	\$ 1,551,329,354.07	\$ 1,551,329,354.07	\$ 97,338,793.16	\$ 521,708,651.43	\$ 66,340,399.07	\$ 66,340,399.07

Summary of transactions for period ending June 15, 1922.

(CONFIDENTIAL)

Federal Reserve Agent at	Balance last statement June 8, 1922.	Gold Withdrawals	Gold Deposits	Withdrawals for transfers to bank	Deposits through transfers from bank	Total Withdrawals	Total Deposits	Balance at close of business June 15, 1922.
Boston	\$ 118,000,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 118,000,000
New York	401,000,000	-	-	-	-	-	-	401,000,000
Philadelphia	141,389,260	5,000,000	-	-	-	5,000,000	-	136,389,260
Cleveland	145,000,000	-	-	-	-	-	-	145,000,000
Richmond	55,795,000	3,000,000	-	-	-	3,000,000	-	52,795,000
Atlanta	96,000,000	2,000,000	-	-	-	2,000,000	-	94,000,000
Chicago	337,644,500	6,000,000	10,000,000	-	5,000,000	6,000,000	15,000,000	346,644,500
St. Louis	47,300,000	1,000,000	500,000	9,000,000	3,000,000	10,000,000	3,500,000	40,800,000
Minneapolis	16,000,000	-	-	-	-	-	-	16,000,000
Kansas City	45,360,000	2,000,000	1,000,000	-	-	2,000,000	1,000,000	44,360,000
Dallas	10,000,000	-	-	-	-	-	-	10,000,000
San Francisco	179,086,000	-	-	1,246,500	-	1,246,500	-	177,839,500
Total	\$ 1,592,574,760	\$ 19,000,000	\$ 11,500,000	\$ 10,246,500	\$ 8,000,000	\$ 29,246,500	\$ 19,500,000	\$ 1,582,828,260

FEDERAL RESERVE BOARD

WASHINGTON

X-3447

June 17, 1922.

**SUBJECT: Correspondence regarding Reimbursable
Fiscal Agency Items.**

Dear Sir:

For your information, there is enclosed copy of a letter from the Governor of the Federal Reserve Bank of Boston, relating to the Treasury's instructions regarding reimbursable fiscal agency items, referred to in Board's letter X-3432, together with copy of letter of the Under Secretary commenting thereon.

Very truly yours,

G o v e r n o r .

(Enclosure)

GOVERNORS OF ALL F. R. BANKS

COPIES TO CHAIRMEN.

X-3447-a

TREASURY DEPARTMENT

COPY

WASHINGTON

June 15, 1922

My dear Governor:

I have your letter of June 14th, enclosing a letter from Governor Morss of Boston, dated June 12, 1922, regarding reimbursable fiscal agency expenses at Federal Reserve Banks. The Governor understands the Treasury's position with respect to reimbursable items. I agree with the Governor it would be very bad administration to set up an independent force, whose services are available only on work the expenses of which are reimbursable. However, as suggested by the Governor, it would seem entirely feasible to set up a reimbursable pay roll which will cover a proportionate part of salary expenses. It is exactly the same situation as exists in many Treasury offices where more than one appropriation is available for personal services, and in such instances the customary procedure is the same as suggested by Governor Morss.

Very truly yours,

(Signed) S. P. GILBERT, JR.

Under Secretary.

Hon. W. P. G. Harding,
Governor, Federal Reserve Board.

COPY

X-3447b

FEDERAL RESERVE BANK
OF BOSTON

June 12, 1922.

Hon. W. P. G. Harding, Governor,
Federal Reserve Board,
Washington, D. C.

Dear Governor Harding:

We have received your letter, X-3432, under date of June 8, 1922 referring to claims for Fiscal Agency reimbursement and note the instructions contained in the quotations from the Treasury letter to the Federal Reserve Board. We are in doubt as to the meaning of that portion of the Treasury letter which you quote referring to the exception from reimbursement of expenses incident to "The redemption of matured securities for account of the Treasurer of the United States".

It has seemed to us that the redemption of Government obligations constitutes the more important part of the work of the Fiscal Agency Department inasmuch as in the issue of new securities they are received from the Treasury and may be delivered to the subscribers without any consideration on our part of the authenticity of the instruments and the funds received in payment for them from the subscribers are credited them in the account of the Treasurer of the United States. When Government securities are redeemed at maturity or otherwise on orders received from the Secretary of the Treasury, the reverse operation takes place - we receive from the holders Government securities, we cancel and deliver them to the Treasurer of the United States and charge the account of the Treasurer of the United States with the amounts redeemed. In the case of redemption, however, there is the added duty of examining the securities for their authenticity and the compliance with the various instructions of the Secretary of the Treasury regarding lost, stolen securities, etc.

For purposes of securing economy of administration irrespective of whether the costs were ultimately reimbursable or not, we have conducted the issue and exchange of Government securities in the same department, using the clerical force interchangeably as the exigencies of the situations required.

Referring to a recent communication from the Federal Reserve Board requesting a list of salaries, it was specified that such list should include only those persons whose time was entirely devoted to Fiscal Agency work. Should that be the basis for reimbursing us for Fiscal Agency expenses under the new ruling by which it appears that we are to be reimbursed only for expenses of issue, we feel that it would result in a lack of economy in administration.

X-3447-b

We would appreciate it if you would advise us

(1) If we correctly understand the Treasury's position that we are to be reimbursed only for that portion of the Fiscal Agency expenses relating to issues and receive no reimbursement for expenses in connection with redemption;

(2) If such is the case, would the Treasury consider having an understanding with us as to what portion of the gross expense including both issue and redemption they would be willing to assume as the issue expense, thus preventing the necessity of actually setting aside a force of employees engaged in the issue division exclusively whose services could not be used for the purposes of redemption without our foregoing all reimbursement for their services in connection with the issue of securities.

Yours very truly,

(Signed) Charles A. Morss,

Governor.

FEDERAL RESERVE BOARD

WASHINGTON

X-3448

June 19, 1922.

SUBJECT: Expense Main Line, Leased Wire System, May, 1922.

Dear Sir:

Enclosed herewith you will find two mimeograph statements, X-3448a and X-3448b, covering in detail operations of the main line, Leased Wire System, during the month of May, 1922.

Please credit the amount payable by your bank in the general account, Treasurer, U. S., on your books, and issue C/D Form 1, National Banks, for account of "Salaries and Expenses, Federal Reserve Board, Special Fund", Leased Wire System, sending duplicate C/D to Federal Reserve Board.

Very truly yours,

Fiscal Agent.

(Enclosures)

TO GOVERNORS OF ALL
BANKS EXCEPT CHICAGO.

REPORT SHOWING CLASSIFICATION AND NUMBER OF WORDS
TRANSMITTED OVER MAIN LINE OF THE FEDERAL RESERVE
LEASED WIRE SYSTEM FOR THE MONTH OF MAY, 1922.

From	Bank Business	Per cent of Total Bank Business	Treasury Dept. Business	War Finance Corp. Business	Total
Boston	32,403	3.02	5,222	91	37,716
New York	214,507	19.96	9,000	-	223,507
Philadelphia	56,328	5.24	6,826	-	63,154
Cleveland	81,199	7.56	4,472	97	85,768
Richmond	71,556	6.66	4,818	3,236	79,610
Atlanta	67,276	6.26	6,863	348	74,487
Chicago	136,518	12.71	6,263	67	142,848
St. Louis	84,080	7.83	5,603	103	89,786
Minneapolis	44,782	4.17	4,951	-	49,733
Kansas City	88,443	8.23	6,049	217	94,709
Dallas	65,148	6.06	2,961	104	68,213
San Francisco	<u>132,188</u>	<u>12.30</u>	<u>9,591</u>	<u>66</u>	<u>141,845</u>
Total F. R. Banks	1,074,428		72,619	4,329	1,151,376
Washington	<u>312,664</u>	<u>100.00</u>	<u>80,910</u>	<u>1,800</u>	<u>395,374</u>
Grand Total	1,387,092		153,529	6,129	1,546,750
Percent of Total	89.68%		9.92%	0.40%	
Bank Business	1,387,092 words	or 90.03%			
Treasury Business	<u>153,529</u>	" "	<u>9.97</u>		
	1,540,621		100.00		

FEDERAL RESERVE BOARD
WASHINGTON, D. C.
JUNE 19, 1922.

REPORT OF EXPENSE
MAIN LINE

FEDERAL RESERVE LEASED WIRE SYSTEM? MAY, 1922.

X-3448b

Name of Bank	Operators' Salaries	Operators' Overtime	Wire Rental	Total Expense	Pro rata Share of Total Expense	Credits	Payable to Federal Reserve Board
Boston	\$ 250.00	\$ -	-	\$ 250.00	\$ 715.67	\$ 250.00	\$ 465.67
New York	789.98	20.00	-	809.98	4,730.08	809.98	3,920.10
Philadelphia	225.00	-	-	225.00	1,241.77	225.00	1,016.77
Cleveland	366.00	-	-	366.00	1,791.56	366.00	1,425.56
Richmond	305.00	-	-	305.00	1,578.27	305.00	1,273.27
Atlanta	240.00	-	-	240.00	1,483.48	240.00	1,243.48
Chicago (#)	5,054.55	4.00	-	5,058.55	3,011.99	5,058.55	2,046.56 (*)
St. Louis	300.00	-	-	300.00	1,855.54	300.00	1,555.54
Minneapolis	275.00	-	-	275.00	988.20	275.00	713.20
Kansas City	326.64	62.90	-	389.54	1,950.33	389.54	1,560.79
Dallas	170.00	-	-	170.00	1,436.09	170.00	1,266.09
San Francisco	395.00	-	-	395.00	2,914.83	395.00	2,519.83
Fed. Res. Board			\$17,576.78	17,576.78			
Total	\$8,697.17	\$ 86.90	-	\$26,360.85 (a) 2,663.04 \$23,697.81	\$23,697.81	\$8,784.07	\$16,960.30 (&) 2,046.56 \$14,913.74

(#) Includes salaries of Washington Operators

(&) Amount reimbursable to Chicago

(*) Credit

(a) Received \$2,483.94 from Treasury Dept. and \$179.10 from War Finance Corporation covering business for months of November 1921 and April 1922, respectively.

FEDERAL RESERVE BOARD

WASHINGTON, D. C.

JUNE 19, 1922.

FEDERAL RESERVE BOARD

WASHINGTON

X-3449

June 21, 1922.

**SUBJECT: ASSESSMENT FOR GENERAL EXPENSES OF THE FEDERAL RESERVE BOARD,
JUNE 30 TO DECEMBER 31, 1922.**

Dear Sir:

There is enclosed herewith for your information and attention copy of a resolution adopted by the Federal Reserve Board at a meeting held on June 20, 1922, levying an assessment upon the several Federal Reserve Banks of an amount equal to one hundred twenty-two thousandths of one per cent (.00122) of the total paid-in capital stock and surplus of such banks to defray the estimated general expenses of the Federal Reserve Board from June 30 to December 31, 1922.

There is also enclosed a statement showing the basis upon which the assessment is levied.

The assessment should be computed upon your paid-in capital and surplus, including super-surplus, as of the close of business June 30, 1922.

I have the honor to request that you bring this matter to the early attention of the Board of Directors of your bank, and deposit one-half of the amount of your assessment in the General Account, Treasurer, U. S., on your books on July 1, 1922, and one-half on September 1, 1922, in each instance issuing a C/D on Form 1, National Banks, for credit of "Salaries and Expenses, Federal Reserve Board, Special Fund", assessment for general expenses.

Kindly send duplicate C/D to the undersigned, together with a statement of your capital and surplus used as a basis for the assessment.

Very truly yours,

Enclosures.

Fiscal Agent.

To Chairmen All F.R. Banks.

RESOLUTION LEVYING ASSESSMENT

Whereas, under Section 10 of the act approved December 23, 1913, and known as the Federal Reserve Act, the Federal Reserve Board is empowered to levy semi-annually upon the Federal Reserve Banks in proportion to their capital stock and surplus an assessment sufficient to pay its estimated expenses, including the salaries of its members, assistants, attorneys, experts, and employees for the half year succeeding the levying of such assessment, together with any deficit carried forward from the preceding half year; and

Whereas, it appears from estimates submitted and considered that it is necessary that a fund equal to one hundred twenty-two thousandths of one per cent (.00122) of the total paid-in capital stock and surplus of the Federal Reserve Banks be created for the purpose hereinbefore described, exclusive of the cost of engraving and printing of Federal Reserve notes; Now, therefore,

Be it resolved, That pursuant to the authority vested in it by law, the Federal Reserve Board hereby levies an assessment upon the several Federal Reserve Banks of an amount equal to one hundred twenty-two thousandths of one per cent (.00122) of the total paid-in capital and surplus of such banks as of June 30, 1922, and the Fiscal Agent of the Board is hereby authorized to collect from said banks such assessment and execute, in the name of the Board, receipts for payments made. Such assessment will be collected in two installments of one-half each; the first installment to be paid on July 1, 1922, and the second half on September 1, 1922.

ESTIMATE FOR JUNE 1922 ASSESSMENT

Average monthly encumbrance for period
January 1, 1922, to June 30, 1922:

Personal services	\$ 47,725	
Non-personal services.	<u>14,782</u>	\$ 62,507

Estimated monthly requirements,
June to December, 1922:

Personal services	51,800	
Non-personal services.	<u>17,675</u>	69,475

Estimated monthly increase		6,968
--------------------------------------	--	-------

Total estimated requirements, June to December, 1922, inclusive,		416,850
Estimated unencumbered balance, June 30, 1922 .		<u>26,000</u>
Amount to be raised by assessment,		390,850

Estimated paid-in capital and surplus of Federal Reserve Banks as of June 30, 1922 .		320,300,000
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An assessment of one hundred twenty-two thousandths of one per cent (.00122) will produce, . . .		390,766
---	--	---------

RATIO OF DISCOUNTED BILLS HELD BY FEDERAL RESERVE BANKS TO THEIR DEPOSIT LIABILITIES
TOGETHER WITH THEIR RESERVE PERCENTAGES AS OF JUNE 14, 1922.

X-3450

(Amounts in thousands of dollars)

Federal Reserve Bank of	Total deposits	Discounted bills	Ratio of discounted bills to total deposits (Percent)	Member banks' reserve deposits	Ratio of discounted bills to member bank reserve deposits (Percent)	Rank	Reserve percentages
Boston	129,400	20,278	15.7	125,860	16.1	2	69.1
New York	765,140	42,737	5.6	732,835	5.8	1	84.4
Philadelphia	112,916	41,854	37.1	107,305	39.0	8	78.5
Cleveland	148,865	40,834	27.4	141,053	28.9	4	69.2
Richmond	62,121	42,009	67.6	55,175	76.1	12	75.8
Atlanta	53,610	29,955	55.9	48,052	62.3	10	83.9
Chicago	267,656	56,697	21.2	256,592	22.1	3	79.9
St. Louis	67,849	18,695	27.6	64,527	29.0	5	66.5
Minneapolis	49,509	24,682	49.9	45,561	54.2	9	69.7
Kansas City	80,163	22,572	28.2	76,999	29.3	6	65.9
Dallas	49,216	31,280	63.6	46,290	67.6	11	64.9
San Francisco	142,591	42,024	29.5	121,201	34.7	7	70.9
TOTAL	1,929,036	413,617	21.4	1,821,450	22.7		77.4

FEDERAL RESERVE BOARD.

DIVISION OF BANK OPERATIONS,

JUNE 22, 1922.

RATIO OF DISCOUNTED BILLS HELD BY FEDERAL RESERVE BANKS TO THEIR DEPOSIT LIABILITIES
TOGETHER WITH THEIR RESERVE PERCENTAGES AS OF JUNE 21, 1922.

X-3451

(Amounts in thousands of dollars)

Federal Reserve Bank of	Total deposits	Discounted bills	Ratio of discounted bills to total deposits (Percent)	Member banks' reserve deposits	Ratio of discounted bills to member bank reserve deposits (Percent)	Rank	Reserve percentages
Boston	124,359	23,778	19.1	123,618	19.2	2	72.2
New York	729,613	33,593	4.6	718,106	4.7	1	87.9
Philadelphia	109,637	44,176	40.3	108,256	40.8	8	80.7
Cleveland	143,153	42,091	29.4	141,485	29.7	6	69.7
Richmond	56,156	40,553	72.2	55,095	73.6	11	75.5
Atlanta	51,160	30,885	60.4	49,736	62.1	10	83.0
Chicago	251,858	60,002	23.8	249,273	24.1	3	81.3
St. Louis	72,615	18,947	26.1	71,085	26.7	5	68.4
Minneapolis	46,324	26,729	57.7	45,224	59.1	9	70.3
Kansas City	82,762	21,147	25.6	80,884	26.1	4	64.5
Dallas	45,230	32,904	72.7	44,238	74.4	12	61.8
San Francisco	141,532	46,763	33.0	125,010	37.4	7	70.2
TOTAL	1,854,399	421,568	22.7	1,812,010	23.3		79.1

FEDERAL RESERVE BOARD,
DIVISION OF BANK OPERATIONS,
JUNE 22, 1922.

FEDERAL RESERVE BOARD
GOLD SETTLEMENT FUND

X-3452
Washington, D. C.
June 23, 1922.

Summary of transactions for period ending June 22, 1922.

(CONFIDENTIAL)

Federal Reserve Bank of	Balance last statement June 15, 1922.	Gold Withdrawals	Gold Deposits	Aggregate withdrawals and transfers to Agent's fund	Aggregate deposits and transfers from Agent's fund	TRANSFERS	
						Debits	Credits
Boston	\$ 23,275,673.49	\$ -	\$ -	\$ -	\$ -	\$ 5,000,000.00	\$ -
New York	130,598,646.11	-	14,500,000.00	-	14,500,000.00	-	67,000,000.00
Philadelphia	61,328,976.43	-	-	5,000,000.00	-	14,000,000.00	-
Cleveland	34,763,934.28	-	2,000,000.00	-	2,000,000.00	1,000,000.00	-
Richmond	35,539,141.93	-	-	-	-	7,000,000.00	-
Atlanta	23,728,642.80	-	-	-	-	7,000,000.00	-
Chicago	105,783,323.81	-	-	-	-	29,000,000.00	-
St. Louis	13,781,578.86	-	-	4,000,000.00	-	-	6,000,000.00
Minneapolis	26,890,800.41	-	-	-	-	3,000,000.00	-
Kansas City	29,474,621.86	-	-	4,000,000.00	-	6,000,000.00	2,000,000.00
Dallas	8,378,445.60	-	100,000.00	-	100,000.00	1,000,000.00	-
San Francisco	28,164,865.85	-	750,000.00	-	4,423,000.00	2,000,000.00	-
Total	\$ 521,708,651.43	\$ -	\$ 17,350,000.00	\$ 13,000,000.00	\$ 21,023,000.00	\$ 75,000,000.00	\$ 75,000,000.00

Federal Reserve Bank of	Settlements from June 16, 1922 to June 22, 1922 inclusive.				Balance in fund at close of business June 22, 1922.	Summary of changes in ownership of gold by banks through transfers and settlements.	
	Net Debits	Total Debits	Total Credits	Net Credits		Decrease	Increase
Boston	\$ -	\$ 111,456,563.76	\$ 126,080,201.95	\$ 14,623,638.19	\$ 32,899,311.68	\$ -	\$ 9,623,638.19
New York	92,970,925.64	518,059,914.63	425,088,988.99	-	119,127,720.47	25,970,925.64	-
Philadelphia	-	138,522,395.85	144,033,552.44	5,511,156.59	47,840,133.02	8,488,843.41	-
Cleveland	-	122,144,874.34	134,083,720.67	11,938,846.33	47,702,780.61	-	10,938,846.33
Richmond	-	106,912,538.20	114,001,367.00	7,088,828.80	35,627,970.73	-	88,828.80
Atlanta	-	43,280,316.85	48,596,293.92	5,315,977.07	22,044,619.87	1,684,022.93	-
Chicago	-	243,940,727.05	273,512,536.27	29,571,809.22	106,355,133.03	-	571,809.22
St. Louis	-	101,052,956.53	106,301,315.78	5,248,359.25	21,029,938.11	-	11,248,359.25
Minneapolis	-	29,848,320.09	32,505,037.83	2,656,717.74	26,547,518.15	343,282.26	-
Kansas City	-	76,667,708.62	86,106,763.20	9,439,054.58	30,913,676.44	-	5,439,054.58
Dallas	-	40,826,186.10	42,733,372.21	1,907,186.11	9,385,631.71	-	907,186.11
San Francisco	330,648.24	54,390,324.67	54,059,676.43	-	30,257,217.61	2,330,648.24	-
Total	\$ 93,301,573.88	\$ 1,587,102,826.69	\$ 1,587,102,826.69	\$ 93,301,573.88	\$ 529,731,651.43	\$ 38,817,722.48	\$ 38,817,722.48

FEDERAL RESERVE AGENTS' FUND

X-3452a
Washington, D. C.
June 23, 1922.

Summary of transactions for period ending June 22, 1922.

(CONFIDENTIAL)

Federal Reserve Agent at	Balance last statement June 15, 1922.	Gold Withdrawals	Gold Deposits	Withdrawals for transfers to bank	Deposits through transfers from bank	Total Withdrawals	Total Deposits	Balance at close of business June 22, 1922.
Boston	\$ 118,000,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 118,000,000
New York	401,000,000	-	-	-	-	-	-	401,000,000
Philadelphia	136,389,260	-	-	-	5,000,000	-	5,000,000	141,389,260
Cleveland	145,000,000	-	-	-	-	-	-	145,000,000
Richmond	52,795,000	-	-	-	-	-	-	52,795,000
Atlanta	94,000,000	-	-	-	-	-	-	94,000,000
Chicago	346,644,500	5,000,000	-	-	-	5,000,000	-	341,644,500
St. Louis	40,800,000	2,000,000	-	-	4,000,000	2,000,000	4,000,000	42,800,000
Minneapolis	16,000,000	-	-	-	-	-	-	16,000,000
Kansas City	44,360,000	-	-	-	4,000,000	-	4,000,000	48,360,000
Dallas	10,000,000	-	-	-	-	-	-	10,000,000
San Francisco	177,839,500	-	-	3,673,000	-	3,673,000	-	174,166,500
Total	\$ 1,582,828,260	\$ 7,000,000	\$ -	\$ 3,673,000	\$ 13,000,000	\$ 10,673,000	\$ 13,000,000	\$ 1,585,155,260

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TREASURY DEPARTMENT
Office of the Secretary
WASHINGTON

June 20, 1922.

The Governor
Federal Reserve Board.

Sir:

You are advised that the Department has referred to the General Accounting Office, Treasury Department Division, for settlement, the account of the Bureau of Engraving and Printing for preparing Federal Reserve notes during the period June 1 to June 17, 1922, amounting to \$41,944.68, as follows:

Federal Reserve Notes 1914

	<u>\$5</u>	<u>\$10</u>	<u>\$20</u>	<u>\$50</u>	<u>\$100</u>	<u>Total</u>
New York	20,000	16,000	--	--	--	36,000
Philadelphia....	74,000	67,000	44,000	2,000	--	187,000
Cleveland	71,000	13,000	55,000	6,000	--	145,000
Richmond	52,000	20,000	21,000	--	--	93,000
Atlanta	93,000	19,000	2,000	1,000	1,000	116,000
Minneapolis	27,000	19,000	5,000	--	--	51,000
Kansas City	36,000	20,000	15,000	--	--	71,000
San Francisco ..	91,000	20,000	33,000	2,000	1,000	147,000
	<u>464,000</u>	<u>194,000</u>	<u>175,000</u>	<u>11,000</u>	<u>2,000</u>	<u>846,000</u>

846,000 sheets at \$49.58 \$41,944.68

The charges against the several Federal Reserve Banks are as follows:

	<u>Sheets</u>	<u>Compen- sation</u>	<u>Plate Printing</u>	<u>Mater- ials</u>	<u>Inc.Com- pensation</u>	<u>Total</u>
New York	36,000	599.40	574.92	439.56	171.00	\$1,784.88
Philadelphia	187,000	3,113.55	2,986.39	2,283.27	888.25	9,271.46
Cleveland	145,000	2,414.25	2,315.65	1,770.45	688.75	7,189.10
Richmond	93,000	1,548.45	1,485.21	1,135.53	441.75	4,610.94
Atlanta	116,000	1,931.40	1,852.52	1,416.36	551.00	5,751.28
Minneapolis	51,000	849.15	814.47	622.71	242.25	2,528.58
Kansas City	71,000	1,182.15	1,133.87	866.91	337.25	3,520.18
San Francisco	147,000	2,447.55	2,347.59	1,794.87	698.25	7,288.26
	<u>846,000</u>	<u>\$14,085.90</u>	<u>13,510.62</u>	<u>10,329.66</u>	<u>4,018.50</u>	<u>\$41,944.68</u>

The Bureau appropriations will be reimbursed in the above amount from the indefinite appropriation "Preparation and Issue of Federal Reserve Notes, Reimbursable", and it is requested that your Board cause such indefinite appropriation to be reimbursed in like amount.

Respectfully,

Wm. S. Broughton,
Commissioner.

FEDERAL RESERVE BOARD

WASHINGTON

X-3454

June 26, 1922.

SUBJECT: Defacement of \$100 Federal Reserve Notes.

Dear Sir:

There is enclosed herewith, for your information, copy of a letter received from the Under Secretary of the Treasury, which is self-explanatory. The Board concurs in Mr. Gilbert's view that the action recommended by The National Counterfeit Detector is inadvisable and unnecessary.

Very truly yours,

G o v e r n o r .

(Enclosure)

TO THE GOVERNORS OF ALL FEDERAL RESERVE BANKS
Copies to Federal Reserve Agents.

COPY

The Under Secretary of The Treasury

Washington

June 26, 1922.

My dear Governor:

The June, 1922, number of The National Counterfeit Detector, a publication devoted to descriptions and warnings of counterfeit issues, which is distributed to many banks and commercial concerns throughout the country, described a new and dangerous counterfeit \$100 Federal Reserve note and advised its subscribers to refuse any \$100 Federal Reserve note except with the endorsement thereon of the depositor or individual presenting it. Subsequently this publication amended its warning circular and recommended that subscribers make a memorandum of the name and address of all persons presenting a \$100 Federal Reserve note, this memorandum to be attached to the note.

The Secret Service Division of the Treasury Department has examined this counterfeit note, and is of the opinion that bank employes experienced in the handling of currency will have no difficulty in detecting it, and that accordingly banks may safely accept \$100 Federal Reserve notes from customers without delaying to make a memorandum of their names and addresses. The original recommendation of The National Counterfeit Detector may lead, I fear, to a widespread and continuing defacement of the currency, since all endorsed notes will have to be destroyed and replaced with new notes, which in turn will be defaced. In order to minimize this danger as far as possible, I think it would be advisable for the Federal Reserve Board to notify the Federal Reserve Banks, and, through them, all member banks, that it strongly disapproves of the endorsement of \$100 Federal Reserve notes, as originally recommended by the National Counterfeit Detector, and believes further that the amendatory recommendation of taking customers' names and addresses is unnecessary.

Very truly yours,

(Signed) S. P. Gilbert, Jr.

Under Secretary.

Hon. W. P. G. Harding,
Governor, Federal Reserve Board
Washington, D. C.

F E D E R A L R E S E R V E B O A R D

STATEMENT FOR THE PRESS

For release in morning papers,
Sunday, July 2, 1922.

CONDITION OF THE ACCEPTANCE MARKET

According to reports received by the Federal Reserve Board from the Federal Reserve Banks of the various districts, a general increase is noticed in many districts in the volume of acceptances executed throughout the entire reporting period. The greatest increase is reported by the eastern districts, while in some interior and western districts the market seems to be without any important change. In Districts No. 1 (Boston) and No. 2 (New York), the supply of bills was larger than the demand, due to the prevailing low rate of acceptances. District No. 2 (New York) states that "during the week ended May 26 some dealers reported that for the first time in some months they were able to purchase all of the New York acceptances they wished. The supply reached its maximum for the period during the week ended June 2, when it was about 50 per cent greater than the weekly average since the early part of the year, with the exception of the first half of May." District No. 1 (Boston) also reports that the supply of bills offered increased during the month and exceeded the amount offered the previous month. The volume of sales increased rapidly as the season progressed, and during the last week of the period sales were three

times as large as during the first week. In District No. 2 (New York), sales throughout the period were irregular. Bills did not move freely at the offered rates, and the market was rather sluggish. The rate at the beginning was $3\frac{1}{4}$ bid and $3-1/8$ offered. It increased, however, towards the middle of the period to $3-3/8$ bid and $3\frac{1}{2}$ offered, but declined towards the end to $3\frac{1}{4}$ bid and $3-1/8$ offered, mainly due to the increase in demand and the prevailing easy money market. An improvement, however, was noticed during the last week of the period when bills of shorter maturities were in good demand. In District No. 3 (Philadelphia) the volume of acceptances executed by dealers averaged higher in this month than in the three preceding periods. The amount of acceptances created by bankers shows also a considerable increase. "In this District the amount created by the twelve reporting banks has been increasing over the past four months. The amounts executed for the preceding monthly periods were as follows:

June 10	\$ 4,812,000
May 10	3,274,000
April 10	4,097,000
March 10	2,265,000 "

District No. 4 (Cleveland) reports a stagnant market and no changes of importance. The supply of bills was limited. The demand was in excess of the supply, mainly due to the low rate of call money. The tendency towards lower rates was felt at the end of the reporting period when bills moved less freely. In District No. 7 (Chicago) the upward trend in the volume of acceptances which started in April continued throughout the entire period of May and beginning of June.

The report of District No. 12 (San Francisco) indicates a slight increase in the amount of acceptances bought in May, 1922, as compared with April and a marked increase (32 per cent) in the amount of bills accepted.

Purchases for foreign account continued to support to a large extent the market at the present low rates in the eastern districts, especially in Districts No. 2 (New York) and No. 1 (Boston). Bills based upon exports and imports increased in volume in several Districts, with the exception of District No. 7 (Chicago), and District No. 11 (Dallas) which report a decrease in acceptances arising out of foreign trade. District No. 6 (Atlanta) however, reports an increase in the volume of foreign acceptances, and a decrease in the number of domestic acceptances.

Maturities ranging between 30 and 60 days were preferred in the eastern districts. District No. 7 (Chicago) and District No. 12 (San Francisco), however, indicate a preference for 90 day maturities. District No. 7 (Chicago) reports the following percentage distribution of maturities:

30 days	18 per cent
60 days	8
90 days	63
120 days	11

District No. 12 (San Francisco) reports the distribution of maturities as:

	<u>May 15 to June 15</u>	<u>April 15 to May 15</u>
30 days	2.4 per cent	19.6 per cent
60 days	45.8	11.5
90 days	51.6	58.5
120 days	0.2	10.4

The bulk of acceptances in the various districts were based upon the following commodities: sugar, cotton, meat products, oils, wool, coffee, tobacco, rubber, also dollar exchange. The rates throughout the period were as follows:

Rates on prime bills		Range during period		Close	
		Bid	Offered	Bid	Offered
No. 2 (New York)	30 day maturity	$3\frac{1}{4}$	$3-3/8$	$3\frac{1}{4}$	$3-1/8$
	50 " "	"	"	"	"
	90 " "	"	"	"	"
	120 " "	"	"	"	"
	150 " "	"	"	$3\frac{1}{4} - 3-3/8$	$3-1/8 - \frac{1}{4}$
	180 " "	$3-3/8$	$3\frac{1}{2}$	$3-3/8 - 3\frac{1}{2}$	" "
No. 4 (Cleveland)	30 day maturity	$3-3/8$	$3\frac{1}{4}$	$3\frac{1}{4}$	$3-1/8$
	60 " "	"	"	"	"
	90 " "	"	"	"	"
	120 " "	$3-3/8$	$3\frac{1}{2}$	$3\frac{1}{4}$	$3-1/8$
	150 " "	$3\frac{1}{2}$	$3-3/8$	$3-3/8$	$3\frac{1}{4}$
	180 " "	"	"	"	"
No. 7 (Chicago)	30 day maturity	$3\frac{1}{4}$	$3-3/8$	$3\frac{1}{2}$	$3-1/8$
	60 " "	"	"	"	"
	90 " "	"	"	"	"
	120 " "	$3\frac{1}{4}$	$3-3/8$	$3\frac{1}{2}$	$3-1/8$
	150 " "	"	"	"	"
	180 " "	$3\frac{1}{2}$	$3\frac{1}{2}$	$3\frac{1}{4} - 3\frac{1}{2}$	$3-1/8 - 3\frac{1}{2}$

FEDERAL RESERVE BOARD

WASHINGTON

X-3456

June 27, 1922.

SUBJECT: Liability of Federal Reserve Banks on Government Warrants and Checks Cashd by Them.

Dear Sir:

The Under Secretary of the Treasury has sent the Board a copy of a letter he has written the Governor of one of the Federal Reserve Banks on the subject of the liability of Federal Reserve Banks on Government warrants and checks cashed by them. For your information I quote the following from the letter in question:

"The Treasury does not look to the Federal Reserve Banks as indorsers or guarantors of warrants or checks drawn on the Treasurer which may be cashed by the Federal Reserve Banks. The duties and functions of the Federal Reserve Banks, as depositaries and fiscal agents of the United States, in respect to the payment of Government warrants and checks are set forth in paragraphs 35-38 of Treasury Department Circular No. 176, as amended and supplemented May 15, 1922, and the Treasury has no intention of holding the Federal Reserve Banks to any liability in this connection beyond the discharge of their duties and responsibilities under the terms of the circular."

Very truly yours,

G o v e r n o r .

GOVERNORS OF ALL F. R. BANKS
COPIES TO CHAIRMEN.

FEDERAL RESERVE BOARD

WASHINGTON

X-3457

June 27, 1922.

SUBJECT: Responsibility of Federal Reserve Banks With Respect to Checks Deposited for Credit to Treasurer's General Account and sent to Other than Drawee Banks for Collection.

Dear Sir:

The Board has received from the Under Secretary of the Treasury a copy of a letter written by him, under date of June 9th, to one of the Federal Reserve Banks, which reads as follows:

"I have your letter of June 1, 1922, regarding the provisions of Department Circular No. 175, as amended and supplemented May 15, 1922, and have noted your views regarding the acceptance of dividends on claims filed against insolvent banks under paragraph 26 of the circular, and regarding the liability of Federal Reserve Banks in case they elect to send Government checks to other than the drawee banks for collection under paragraph 25 of the circular.

"The purpose of the provision in paragraph 26 of the circular regarding acceptance of dividends on claims against insolvent banks that 'dividends on claims so filed should be accepted only upon specific authority from the Secretary of the Treasury' is to enable the Treasury to reserve its rights against the taxpayer or other drawer of the check upon which the claim is based. There should be no legal difficulty on this account, for the filing of a claim does not preclude refusal or delay in acceptance of payment. Where a claim filed on account of a dishonored exchange draft covers other items than Government items, however, the bank may, of course, accept dividends on account of items other than Government items. In any case, the Federal Reserve Bank may receive dividends even on account of Government items without previous instructions from the Treasury, but disposition should be made of such dividends only in accordance with the Treasury's instructions. In such case the rights of the Treasury can be amply safeguarded if the Federal Reserve Bank will notify the Treasury of the receipt of such dividends and the Treasury will then give prompt advice of its desires in the matter.

"The provisions of paragraph 25 as to the liability of a Federal Reserve Bank which elects to send Government checks to other than the drawee bank for collection restate a working arrangement agreed to between the Treasury and the Federal Reserve Board, of which the several Federal Reserve Banks were notified by the Board. The statutes under which both certified and uncertified checks are accepted by the Government expressly provide that if the check tendered by the taxpayer is not paid by the bank on which it is drawn the taxpayer remains liable to the Government as if no check had been received. This, of course, means that, wherever the drawee bank fails to pay the check, the Treasury is fully protected by its right to proceed against the taxpayer. But, in cases where the drawee bank has actually paid the check to a collecting agent bank used by the Federal Reserve Bank, the Government has lost its recourse against the taxpayer and must look either to the collecting agent bank or to the Federal Reserve Bank. Apart from any question of legal liability on the part of the Federal Reserve Bank, the arrangement in question has proved to be a working one and has been adopted by the several Federal Reserve Banks. The Treasury considers the arrangement a reasonable one, and, therefore, has embodied its terms in Circular No. 176."

The foregoing is transmitted for your information.

Very truly yours,

G o v e r n o r .

TO THE GOVERNORS OF ALL F. R. BANKS
Copies to Chairmen.

F E D E R A L R E S E R V E B O A R D

STATEMENT FOR THE PRESS

X-3459

For release in Morning Papers,
Saturday, July 1, 1922.

The following is a review of general business and financial conditions throughout the several Federal Reserve Districts during the month of June, as contained in the forthcoming issue of the Federal Reserve Bulletin.

The outstanding features of the economic development during the month have been the continued and noteworthy increase in the physical volume of production and a continuance of the advance in prices noted for the month of May, the wholesale price index number of the United States Bureau of Labor Statistics showing an increase of five points for that month. Prices in Great Britain also show an increase, the index number compiled by the Federal Reserve Board for international comparison advancing four points, as compared with an increase of nine points in the similarly constructed number for the United States.

An increase of production is noted in highly finished lines of manufacture as well as in basic industries. The advance has been especially marked in iron and steel, and industries which are large consumers of iron and steel products, such as automobiles, foundries, machine shops, etc. May copper production was 266 per cent of that of May 1921, and showed a very large advance over the preceding month. Zinc output also increased, while stocks were less than half those at the close of May, 1921. Building activity

has continued practically unabated. The value of contracts let during May was \$323,000,000, which was about 50 per cent larger than for May, 1921. This was substantially the same as the April figure.

Decided improvement in tanning and moderate improvement in the output of boots and shoes are noted. Wholesale groceries and hardware show a very pronounced advance over April, and compare favorably with the sales of a year ago. In dry goods and shoes a seasonal recession is reported, but the business in most Districts does not vary greatly from that of last year. The retail trade for the first time in many months is in excess of that of a year ago. This, however, is not uniformly true, as in approximately half the Districts trade was less than in May, 1921.

Although the production of anthracite coal has been reduced practically to nothing, the production of bituminous coal at non-union mines has increased somewhat, at the same time that the petroleum output for the month has shown an advance as compared with April.

General employment conditions have taken a very decided turn for the better. In some lines a scarcity of labor is now reported, as for example in the steel and building trades. Demand for agricultural labor also continues upward. While unemployment still exists, especially in those industries such as coal and textiles where labor troubles prevail, figures furnished by the United States Employment Service and by various State departments of labor show marked reductions in numbers out of work.

Most staple crops have shown improvement during the past month and the approach of midsummer finds the farming community as a whole anticipating fully average yields. In some parts of the country unfavorable weather has delayed or impaired prospects, but the general situation is favorable. Car loadings on lines of railways serving agricultural districts show a very material advance even though the new crop has not begun to move in quantity. Railways which have suffered most severely in business are those which are largely dependent on coal to make up the bulk of their traffic.

Of fundamental interest has been the continued downward tendency of discount and money rates. In the New York market the charge for call funds has been as low as $2\frac{3}{4}$ per cent. Rates for commercial paper have also tended distinctly downward. During the month the Federal Reserve Banks of New York and Boston reduced the discount rate to 4 per cent. The Bank of England has also reduced its rate to $3\frac{1}{2}$ per cent. Federal Reserve Bank portfolios show little change, although indicating a declining tendency, while member bank loans have shown but moderate alteration. The outcome of the international bankers' conference at Paris was unfavorable to the movement of exchange toward higher levels and limited recessions have occurred in nearly all of the European currencies. Foreign loans have continued to be placed in this market in considerable quantities. The latest export trade figures show a small shrinkage in the volume of exports while imports have increased materially.

AGRICULTURE: The condition of the crops shows a very general and decided improvement over last month, due mainly to the favorable weather during May and early June. The average condition of winter wheat on June 1 was 81.9, as compared with a condition on May 1, of 83.5 and a condition of 77.9 on June 1, 1921. There was a decided improvement in the wheat prospects of District No. 7 (Chicago) during May, but there was some damage from red rust in the first half of June. In District No. 10 (Kansas City) the harvesting, which was begun in the latter part of May, is sufficiently advanced to indicate that the yield is better than was anticipated on May 1. Harvesting is in full swing in District No. 8 (St. Louis) where a yield equal to, or in excess of the June 1 estimate is indicated, and the District is expected to produce 83,390,000 bushels of winter wheat compared with 66,110,000 bushels last year. In District No. 12 (San Francisco), the condition of wheat declined during May. Since June 1 drying winds have been detrimental to the condition of growing grains in sections of Oregon and Washington. Planting of spring wheat, though delayed by unpropitious weather, was finally completed late in May under favorable weather conditions.

The condition of the oats crop is improving, although it will be smaller than last year, due to a reduced acreage. The corn acreage in District No. 8 (St. Louis) is probably from 15 to 20 per cent smaller than a year ago while the acreage in District No. 10 (Kansas City) is about as large as last year. The warm dry weather in early June was favorable for planting and lent encouragement to the corn growers, although there is some apprehension of probable

insect damage in District No. 8 (St. Louis). District No. 7 (Chicago) reports satisfactory progress, but there is a need of rain in some sections. Barley fields matured rapidly in California this season and the harvest is now in prospect. The California crop of barley is estimated to be 24 per cent larger than in 1921. The acreage of the white potato crop shows an increase, especially in District No. 10 (Kansas City). In that District and in District No. 8 (St. Louis) the crop is generally in good condition. In Florida, where the harvesting is nearing completion, the season has been very satisfactory from the point of view of production, but farm prices ranged rather low. The sugar cane crop is reported making good progress, but averages about three weeks late in Louisiana and heavy rains have prevented working the crop.

COTTON: Unfavorable weather conditions which retarded cotton planting have given place to dry weather and higher temperature and the prospect is more hopeful. The price of middling upland cotton at New Orleans on June 14 was 19.4 cents, as compared with 19.9 on May 17. Cotton stored in mills and public warehouses on May 31 amounted to 3,981,000 bales, about 34 per cent less than on May 31, 1921.

District No. 11 (Dallas) estimates the increase in acreage as high as 15 to 20 per cent, but the significance of this is somewhat modified by the fact that last year's acreage was below normal. The crop is from three to four weeks late which adds to the difficulty of curbing the activities of the weevils which have appeared in large numbers. Reports show that not more than 75 per cent of the cotton planted in Texas is growing, but the warm, dry weather since the

second week in June has been favorable and a fair crop should be produced. High temperatures and sunshine over all the cotton producing sections of District No. 8 (St. Louis) have greatly improved the condition of the crop and the activities of the boll weevil have been retarded. In District No. 10 (Kansas City) a great deal of replanting was necessitated by the early rains and low temperatures, and the crop as a whole is from two to three weeks late. The weevil is appearing in some localities, a month earlier than last year, and some damage has been done. A large amount of fertilizer has been used in Georgia and a freer use than last year is reported in District No. 8 (St. Louis).

COTTON FINISHING: Reports from 35 of the 58 members belonging to the National Association of Finishers of Cotton Fabrics indicate that there was an increase in finished yards billed from 87,153,258 in April to 92,254,873 in May. The volume of production showed little change in Districts No. 1 (Boston), No. 2 (New York), and No. 3 (Philadelphia), but was very much larger than in April in Districts No. 5 (Richmond), No. 6 (Atlanta), and No. 8 (St. Louis). The total grey yardage of finishing orders received increased from 80,545,503 in April to 100,342,008 in May, and shipments of finished goods rose from 43,355 cases to 49,359 cases. The average work ahead at the end of the month increased from 7.2 days to 9.1 days.

TOBACCO: Interest in District No. 5 (Richmond) has been centered upon further progress in the organization of the cooperative marketing association. The association has recently succeeded in arranging for advances aggregating \$30,000,000 from the War Finance Corporation during the next marketing season. The effort to effect the organization

of the association in the dark tobacco sections of District No. 8 (St. Louis) is meeting with satisfactory results. The leaf tobacco business in District No. 5 (Richmond) gradually improves, and appears in a healthier condition than for the past two years. Manufacturers' business in that District appears to be good, while cigar manufacturers throughout District No. 3 (Philadelphia) report increased sales. This is the more remarkable in view of the fact that June, July and August usually show a seasonal falling off in demand. The large factories still report better business than do the smaller firms. The better grades of cigars have the best sale. Orders are still largely for immediate shipment, but the number of standing orders has increased.

FRUIT: Reports from the various fruit-growing districts are very favorable and a crop well above the ten-year average is anticipated in District No. 8 (St. Louis). Practically a 100 per cent strawberry crop has been marketed in District No. 10 (Kansas City). Crops of blackberries and raspberries are about normal, while an unusually large crop of cherries is being marketed in June. Peaches and pears are reported as doing well, and the prospect for the apple crop is brighter than for several years. The Georgia peach crop, however, is not quite up to the average, and the watermelons and cantaloupes have been damaged by rain. Weather conditions in May have been favorable throughout District No. 12 (San Francisco) for deciduous fruits and the apple crop, although less than the record crop of 1921, will be large. A yield of 39,362,000 bushels is estimated for the District compared with 46,450,000 bushels harvested in 1921. The past month has brought an improvement in the condition of peaches, which are expected to yield a larger crop than last year and

a good yield of cherries and pears is in prospect.

The fruit crop in District No. 5 (Richmond) promises somewhat better than was expected after the freezes in the latter part of April. The outlook for peaches in Virginia and North Carolina is fairly good and South Carolina is already shipping a good crop.

Prices of citrous fruits are higher than in April and much higher than in May last year but shipments of citrous fruits from California are only about half as large as in May 1921. Valencia oranges (which comprised the bulk of shipments during May) are reported to be only fair in quality and small in size this season.

GRAIN MOVEMENTS: Grain receipts at 17 interior centers registered an increase of 57 per cent during May. This pronounced increase was distributed very evenly among the different grains, but there was a slight decrease in the receipts of flour. May receipts of both wheat and corn increased about 78 per cent at these centers, and totaled 30,125,797 bushels and 27,364,113 bushels, respectively. The gain in receipts of wheat and corn was most marked at Chicago. The May movement of wheat in District No. 10 (Kansas City) was exceptionally heavy, as a result of rising prices and better transportation service. As shipments from the four leading markets in that District were 2,452,000 bushels in excess of the receipts for the month, elevator stocks were substantially reduced. There was a somewhat similar shrinkage at interior and seaboard centers. Grain prices declined rather generally in the latter part of May, and although there was some recovery early in June, the price of wheat is still declining and is below the lowest April quotation.

FLOUR: Flour production during May was greater in all Districts than during April and than during May, 1921. Reported May output in District No. 9 (Minneapolis) was 1,889,755 barrels, which was 6 per cent greater than in April and 1 per cent greater than in May, 1921. In District No. 10 (Kansas City) production in May amounted to 1,504,326 barrels, an increase of 1 per cent over the previous month and of 31 per cent over the same month last year. Eleven leading mills in District No. 8 (St. Louis) produced 279,970 barrels in May, which was 11 per cent greater than the April figure. May output of 44 mills in District No. 7 (Chicago) was 326,311 barrels, an increase of 3 per cent over April and 27 per cent over the May, 1921 production. In District No. 12 (San Francisco) May production of 65 mills was 528,600 barrels, which was 5 per cent greater than during April. Demand for flour during May was dull and featureless in District No. 8 (St. Louis). Both there and in District No. 12 (San Francisco) buyers were disposed to await the new wheat crop before stocking up. A fairly active inquiry existed for clears and low grade flour, but mills were unable to sell the higher grades and had no clears to dispose of. Both foreign and domestic demand were likewise dull in District No. 10 (Kansas City). Choice milling wheat remains at a high level in Districts No. 8 (St. Louis) and No. 12 (San Francisco).

LIVE STOCK: Movement of cattle, calves and hogs to market during May was heavier than during May, 1921, but the reverse was true of sheep. In each case, receipts at 15 western markets were greater than during April. May receipts of cattle and calves were 1,303,000 head, an increase of 33 per cent over the April figure and 23 per cent over

the May, 1921 figure. Receipts of hogs in May, which amounted to 2,734,000 head, were 31 per cent greater than during the preceding month and 14 per cent greater than a year ago. May receipts of sheep were 936,000 head, an increase of 26 per cent over the April figure but a decrease of 15 per cent from the May, 1921 figure. The heavier receipts are attributed to the increase in the prices of cattle and hogs, but sheep prices have shown a declining tendency. The movement of southwestern cattle for finishing purposes is practically completed, heavy shipments from ranges to pastures in the northern and western states taking place in May. Abundant rains in Districts Nos. 10 (Kansas City) and 11 (Dallas) have left the soil well saturated with moisture and grazing prospects in general are excellent. Rain is, however, badly needed in southwestern Arizona and southwestern New Mexico. District No. 12 (San Francisco) reports improvement in the condition of livestock in all parts of the District, except southeastern Arizona.

Thirty-two packers report May sales 19.3 per cent greater than in April, and 31 report them 10.0 per cent over those for May, 1921. May was thus the most encouraging month so far this year. Practically all reported improvement in domestic demand, except in the coal districts, and a few reported improvement in demand from rural districts. Storage stocks of cured meats at western packing points at the close of May were greater than at the opening of the month, and there was a marked increase in the stocks of lard. Packers operations during May were the largest of any month of the present year in District No. 10 (Kansas City).

COAL: Bituminous coal production in May amounted to about 20,287,000 tons, as compared with 15,780,000 tons in April and 33,330,000 tons in May, 1921. The weekly output has shown a steady increase since April 22, except for the week ending June 3, which included a holiday. Most of the gain in production is reported by nonunion fields, as operations in strongly organized districts are still prevented by the strike. District No. 3 (Philadelphia) reports that production is increasing in many nonunion fields which suffered from strikes during April and May. Production increased in the coal fields of District No. 6 (Atlanta) during May and was maintained at a substantially higher level than in May, 1921. Heavy purchases were made in that District by western railroads. Most bituminous mines in District No. 7 (Chicago) are still closed. Conditions vary in the several states of District No. 10 (Kansas City) from almost total inactivity in Missouri and Wyoming to about 65 per cent of capacity operations in Colorado. Reports from all Districts indicate that stocks have been considerably depleted, but that prices are steady since the agreement of the operators as to fair spot prices at the mines.

No anthracite coal has been mined since the commencement of the strike, but small quantities continue to be dredged from the rivers each week. These dredgings amounted to 26,000 tons in April and 36,000 tons in May in comparison

with an actual mine production of 7,497,000 tons in May, 1921. District No. 3 (Philadelphia) states that stagnation still prevails in the retail market for domestic sizes of anthracite, but that buckwheat is in greater demand at higher prices.

Production of beehive coke declined from 528,000 tons in April to 432,000 tons in May, whereas by-product coke output increased from 2,227,000 tons in April to 2,537,000 tons in May. As a result of the shortage of beehive coke many steel manufacturers are relying chiefly upon by-product ovens, and the stocks of by-product coke have been much reduced.

PETROLEUM. Production of crude petroleum has been increasing steadily since the second week in May, in spite of a reduced flow in the Texas and Louisiana fields. The total May output amounted to 46,473,000 barrels as compared with 44,657,000 barrels in April. The average daily production of oil in California was 357,376 barrels during May, as compared with 341,077 barrels in April and 337,101 barrels in May, 1921. Development work is increasing and completions numbered 64 wells in May in comparison with 49 wells in April. Shipments increased, but are still less than production, so that California stocks were 2,246,404 barrels larger on June 1 than on May 1. A number of new wells have been shut in, to curtail the amount of surplus production.

In the fields of District No. 10 (Kansas City) crude petroleum production averaged 539,446 barrels a day during May, as compared with 555,234 barrels a day in April. The number of wells completed increased from 651 in April to 669 in May, although development operations in some localities were hindered by weather conditions. Average daily production in District No. 11 (Dallas) declined from 458,353 barrels in April to 426,173 barrels in May, while the number of completed wells dropped from 531 to 473. The production of the Mexia field continues to decline, but three new fields were proven in the Texas coastal region during May.

Prices of the best grades of Kansas and Oklahoma crude oil remain unchanged, at \$2 per barrel, while the only important change in Texas prices was an increase in the price of orange crude from \$1 to \$1.25, the price already prevailing in other coastal fields. On June 5 the price of Pennsylvania crude was increased from \$3.25 to \$3.50 a barrel.

Refiners have been increasing their operations during May and June, as demand has been somewhat stimulated by warm weather and the coal strike. Domestic sales of kerosene and fuel oil are increasing, while an improvement is reported in the export demand for gasoline.

IRON AND STEEL. The iron and steel industry has continued its upward progress. Pig iron production during May amounted to 2,307,000 tons, and steel ingot production to 2,711,000 tons. Output in both cases was about 11 per cent larger than during the preceding month. During May there was a net gain of 13 furnaces in blast. Unfilled orders of the United States Steel Corporation increased 3 per cent over those at the close of April, and amounted to 5,254,000 tons. The interest of producers is largely in providing output necessary to meet their commitments, while there is increasing pressure from buyers to obtain deliveries on the orders they have already placed. Buyers are again hesitant about contracts calling for delivery far in the future, while producers are likewise reluctant to accept orders too far ahead. A few producers in District No. 3 (Philadelphia) have been forced to close down or curtail operations because of the shortage and high cost of coke. Producers in many cases are experiencing difficulty in securing skilled workers, and unskilled labor is also scarce in some localities. Blast furnace activity in District No. 3 (Philadelphia) still lags considerably behind that in other sections. Heaviest demand in the industry is from automobile, railroad, building and oil interests. Price increases have been less pronounced during the past month than previously. The season's selling price for Lake ore has been reduced 50 cents, and railroad freight rates have been reduced 10 per cent from mines to upper Lake ports.

AUTOMOBILES. During May the automobile industry showed a further considerable increase in activity. This is reflected both in production and shipment statistics. Manufacturers who produced 196,788 passenger cars in April built 231,829 cars in May, an increase of 17.8 per cent, while companies building 21,862 trucks in April had a May output of 23,189, an increase of 6.1 per cent. Carload shipments were about 33,810 in May, as compared with 31,334 in April, a gain of 7.9 per cent. The output for the first five months this year was greater than for the first six months last year. One factor in this increase in business is that replacement purchases by users last year were light, and an accumulated replacement demand is now manifesting itself. The sale of new cars is reported to be keeping pace with production, and in some cases demand exceeds ability to produce. Lower and moderate priced cars are in greater demand. The used car market continues on a satisfactory basis. Prices appear stabilized.

NONFERROUS METALS. Mining operations continued to expand during June in the case of all important nonferrous metals except lead. Copper production amounted to 88,713,900 pounds, which was 16 per cent larger than in April and about 266 per cent greater than in May, 1921. Despite the impressive increase in production during the past three months, the general trend of copper prices, has continued to be upward. On June 14 the price of electrolytic copper delivered at New York ranged from 13.75 cents to 13.875 cents per pound, as compared with a price of 13.25 cents per pound a month previous. Domestic demand for copper slackened considerably during June, but foreign demand was well maintained. District No. 9 (Minneapolis) reports that the May extraction of copper

mines in Montana and Michigan was over six times as great as that of May, 1921.

Zinc production in May amounted to 27,419 tons, which was about 8 per cent in excess of the April output and 51 per cent larger than in May, 1921. Stocks of zinc continue to decline and totaled only 40,409 tons at the end of May, as compared with 83,721 tons on May 31, 1921. District No. 10 (Kansas City) reports that 46,124 tons of zinc ore were shipped during May, at an average price of \$29.51 per ton. Production is being materially augmented by the reopening of properties which have been idle for over a year.

The output of pig lead in May was about 1.8 per cent less than in April, but was 12 per cent greater than in May, 1921. Shipments of lead ores from District No. 10 (Kansas City) were, however, somewhat greater than in April, and the average price rose from \$68.27 per ton to \$70.90 per ton. The May silver production totaled 4,257,973 ounces, in comparison with 4,138,580 ounces in April.

COTTON TEXTILES. Cotton consumption for May was considerably above the total for April as the increase amounted to nearly 50,000 bales. The upward price movement of raw cotton stimulated the placement of orders, more particularly for heavy cotton goods, and was reflected in a less pronounced rise in the price both of cotton cloth and of yarn. District No. 3 (Philadelphia) reports productive activity in the goods mills to be about 85 per cent of capacity and states that stocks on hand are normal for the season. In District No. 5 (Richmond) the mills are receiving all the orders that they are prepared to receive, and activity is greater than it was in April. The special inquiry conducted in District No. 6

(Atlanta) shows that 34 mills which produced approximately 34,000,000 yards of cloth in May had a yardage output of 10.1 per cent greater than in April, while for 31 mills reporting this item, production was 38.9 per cent in excess of May, 1921. Orders on hand at the end of the month (29 firms reporting) were 12.9 per cent greater than in April, and 41 per cent above those for May, 1921, (24 mills reporting for the latter date). Some of these mills are operating night shifts. Demand is not only for immediate delivery but there is also a heavy demand for the fall. Reports received from 36 mills producing 7,500,000 pounds of yarn had a production in pounds in May 14.1 per cent greater than in April, and for 29 mills the output was 25.1 per cent in excess of that of a year ago. Orders on hand at the end of May (32 mills reporting) had risen 5.6 per cent as compared with April and were 27.3 per cent greater for the 17 mills giving returns for a year ago.

WOOLEN TEXTILES. The rapid advance in the price of raw wool has carried quotations to figures far above those prevailing last year. District No. 1 (Boston) mentions the fact that the average of 98 quotations computed by R. G. Dun & Company shows a rise of over 75 per cent between October and June. District No. 12 (San Francisco) states that wool is being sold as fast as it is sheared and sacked and over 90 per cent of the total clip of the District had been disposed of by June 1st. At that date growers were reported to be selling average clips of fine grade uncleaned wools at prices ranging from 35¢ to 40¢ per pound as compared with 30 to 35¢ a month before and 15 to 17¢ for comparable grades a year ago. Choice lots have since sold at 45¢ and some growers are holding in the expectation of receiving even better prices.

District No. 3 (Philadelphia) refers to the fact that Ohio delaine fleeces are selling at higher prices than territory wools. Ohio farmers are receiving for fine clips that shrink about 60 per cent when scoured, as high as 57¢ per pound.

There was also a slight increase in manufacturing activity during the month of May, as the figures published by the Department of Commerce show a decrease in the percentage of idle hours to total reported both for looms wider than 50 inch reed space and for 50 inch reed space or less. In the case of the former the percentage of idle hours to total reported dropped from 41.6 to 37.6 on June 1; and in the case of the latter the percentage fell from 46.6 to 44.8. In the case of woolen spindles the percentage of idle hours to total reported dropped to 11.4, from 15.2 recorded on May 1. The percentage of idle hours in the case of worsted spindles still remained very high although there was a decline to 34.7 per cent on June 1 from 37.9 per cent on May 1. District No. 3 (Philadelphia) comments on the marked discrepancy between the activity of woolen mills, which are operating at about 80 per cent of capacity, and of the worsted mills which are running at 33 per cent of capacity. Yarn stocks in that District appear to be low, while the average production of the yarn mills is estimated at about 75 per cent.

CLOTHING. In District No. 2 (New York) sales of both men's and women's clothing were larger than a year ago. According to reports received from seven firms selling men's clothing the increase amounted to 16.5 per cent, while the increase in the case of 14 firms distributing women's clothing was 9.3 per cent. As compared with April, however,

seasonal declines of 34.6 per cent and 32.3 per cent respectively were recorded. In District No. 8 (St. Louis) sales of clothing were from 10 per cent less to over 100 per cent above those of a year ago in the case of reporting firms. A very general improvement in business was noted and it was stated that manufacturers were receiving a heavy volume of mail orders which in some cases could not be filled from stock. An especially heavy volume of reorders from the South had been received by distributors of women's apparel in the District. Reports have been received from manufacturers of men's clothing in District No. 7 (Chicago), but comparable figures for the new season are not available as orders have not yet been placed in any considerable amount. Seven tailors to the trade report slight reductions in suit orders for May amounting to 1.6 per cent as compared with April, but orders were 29.1 per cent greater than in May, 1921. The number of suits made fell off 7.4 per cent as compared with April, but were 32.7 per cent greater than a year ago.

SILK TEXTILES. The consumption of raw silk in May showed a substantial increase, advancing from 24,247 bales in April to 33,284 bales. Prices also advanced and silk throwsters in District No. 3 (Philadelphia) were stated to be receiving increased business, many mills running at 80 per cent of capacity. Hosiery mills were purchasing heavily but there were no indications of improvement in the market for broad silks with the exception of crepe fabrics. Production in the goods mills in District No. 3 (Philadelphia) averaged only about 40 per cent of capacity, while the statistics from Paterson showed a percentage of operating hours to total available of only 21.65 per cent (June 3) with 15,000 looms re-

porting. Only 3,510 looms of the total 15,000 were producing on that date.

HOSIERY. Reports received from hosiery mills in District No. 3 (Philadelphia) indicate little change in productive activity during May. It is stated that full fashioned hosiery mills have orders that will keep them busy until the end of September and some have orders for shipments sufficient to run through the rest of the year. The seamless hosiery mills in general are not booked beyond a six weeks period. Thirty reporting firms in District No. 3 (Philadelphia) selling to the wholesale trade manufactured 0.2 per cent more in May than in April and 27.7 per cent more than in May, 1921. Orders booked fell off 50.3 per cent as compared with April and were 29.4 per cent below the bookings of a year ago. Notwithstanding this fact, unfilled orders were 15.3 per cent larger than those on hand at the end of May, 1921, although 13.5 per cent less than at the end of the preceding month. In the case of 14 firms selling to the retail trade, the product manufactured was 3.9 per cent below April figures, but 25.3 per cent larger than in May, 1921. Orders booked in May increased 32.8 per cent as compared with April and were 31.6 per cent above May, 1921. Unfilled orders were 10.2 per cent greater than at the end of April, but 20.4 per cent below those on hand at the end of May, 1921. All cotton and mercerized hosiery lines were said to be "extremely dull" in District No. 3 (Philadelphia). But returns from four reporting mills in District No. 6 (Atlanta) showed an increase in output of 14.4 per cent for May as compared with April, and an increase of 62.4 per cent in orders booked

during the month, with unfilled orders 17.7 per cent greater at the end of the month than at the end of April.

UNDERWEAR. In May, 1922, reports were received from 47 mills producing underwear as compared with 53 in April, and 62 in May, 1921. Production during the month showed a slight decline compared with last month, but the loss was very inconsiderable compared with the loss during the preceding month. May production of 518,150 dozens by 47 mills shows an increase of 12,803 dozens over the amount produced by 62 mills in May, 1921. Production of 47 mills in May was 74.2 per cent of normal, of 53 firms in April, 82.7 per cent of normal, and of 62 firms in May, 1921, 55.4 per cent of normal. Production of winter underwear in May amounted to 298,080 dozens, whereas summer underwear output totaled only 220,070 dozens.

Comparative reports received from 33 of these mills show an opposite trend from last month. Orders on hand at the first of the month showed a loss of 52,116 dozens, or 8 per cent, but the large volume of new orders and the decline in shipments resulted in an increase in orders on hand at the close of the month of 171,884 dozens, or 28.9 per cent. New orders during the month registered an increase of 228,428 dozens, or 92.9 per cent; and production increased from 392,578 dozens to 403,872 dozens, a gain of 2.9 per cent. Shipments and cancellations, however, declined from 326,717 dozens and 14,711 dozens, to 291,761 dozens and 11,227 dozens respectively.

SHOES AND LEATHER. Prices of Chicago packer hides continued to rise steadily during June and are now from 20 per cent to 30 per cent higher than in April. Despite the increase in prices, the volume of sales has

been large in both Chicago and New York. There was a pronounced improvement in the demand for calfskins during the third week of June, but the market for sheep and lamb skins has been rather inactive.

Marked improvement occurred in most branches of the leather industry during May and the first three weeks of June. Seven tanners in District No. 7 (Chicago) reported total sales for May from 20 to 60 per cent above those for April. Stocks in that District were considerably diminished during May. District No. 3 (Philadelphia) reports that May sales of belting leather were the largest for many months, and that June sales are continuing at the same high level. The market for other heavy leathers is also much broader, and there is now a demand for all tannages and all parts. Calf leather is much more active, and heavy skins for men's wear are selling particularly well. Sales of kid leather are larger, as a result of an increase in their use for women's pumps. There has been a slight improvement in the glove business, but most of the demand is still for the cheaper grades. Sales of harness leather are well maintained, except in certain coal regions.

Shoe manufacturing registered a slight improvement in most sections during May. The production of eight leading manufacturers in District No. 1 (Boston) increased 1.3 per cent during May, and were 29.6 per cent higher than in May, 1921. Shipments of seven of these firms were 0.6 per cent less than in April, while new orders increased 11.3 per cent. Reports of 47 firms in District No. 3

(Philadelphia) show an increase of 3.3 per cent in production, an increase of 2.1 per cent in new orders, and a decline of 12.8 per cent in shipments for May, as compared with April. During the first two weeks in June there was a marked improvement in new orders for shipment within five or six weeks; due to a depletion of wholesale and retail stocks, and a greater stabilization of both prices and styles. The shoe production of 32 manufacturers in District No. 7 (Chicago) increased 4.3 per cent during May, while the volume of unfilled orders reported was 39.3 per cent higher on May 31 than on April 29. There was less hesitancy in placing orders for future delivery, and some firms now require over nine weeks to fill an order. Sales of 11 reporting interests in District No. 8 (St. Louis) were from 2 to 11.5 per cent higher than in April. Factory operation varied from 90 to 100 per cent of capacity. In that District there has been a revival of demand for better grades of both men's and women's shoes; and orders for forward delivery are increasing.

LUMBER: Orders, shipments and production of lumber were all at a high level during May, but some slackening of demand was noted during the first two weeks of June. Railroad shipments of forest products increased from 233,559 cars in April to 240,614 cars in May. The volume of new orders reported to the National Lumber Manufacturers Association has declined steadily since the middle of May, and totaled only 227,676,093 feet for 394 mills in the week ending June 17, as compared with 301,837,237 feet for 397 mills in the week ending May 20.

Lumber mills in District No. 12 (San Francisco) operated at capacity in May for the first month in two years. The increased output, however, was not equal to the orders received and unfilled orders on May 31 were almost twice as large as on the corresponding date in 1921. Orders received by 191 reporting mills totaled 607,159,000 feet in May, an increase of 42 per cent over April and of 71 per cent over May, 1921. Log production amounts to about 90 per cent of normal capacity and is increasing rapidly due to improved weather conditions.

District No. 6 (Atlanta) reports that production of 122 mills of the Southern Pine Association totaled 346,993,000 feet during May, as compared with a cut of 282,529,000 feet for 118 mills in April, while unfilled orders for the same groups of mills increased from 251,877,000 feet on April 29 to 331,132,000 feet on May 31. Forty-five southern pine mills in District No. 11 (Dallas) reported both orders and shipments considerably in excess of the

cut for the month, while their unfilled orders on May 31 amounted to 99,561,000 feet, in comparison with unfilled orders of 70,788,000 feet on the books of 42 mills on April 29. Prices of southern pine continued to climb during May, and remained firm during the first two weeks of June. The cut of reporting lumber manufacturers in District No. 9 (Minneapolis) showed a marked gain during May, but was less than either shipments or new orders. Retail sales of lumber in that District were 36 per cent larger than in April and 7 per cent larger than in May, 1921.

BUILDING: The total volume of building operations continued during May, at about the same high level as in April, as reductions in activity in certain eastern and southern states were counter-balanced by increases in most of the central and western states. The value of contracts awarded in seven Federal Reserve Districts (compiled from statistics gathered by the F. W. Dodge Co.) amounted to \$323,044,164 during May, as compared with \$322,630,241 in April and \$220,792,350 in May, 1921. Building increased during May in five of these seven Districts, the increases ranging from 3.8 per cent in District No. 3 (Philadelphia) to 53.4 per cent in District No. 4 (Cleveland). Decreases of 25.1 per cent and 22.4 per cent were recorded in the value of contracts awarded in Districts No. 1 (Boston) and No. 2 (New York), respectively. The value of residential building contracts increased in all of the seven Districts, except Districts No. 2 (New York) and No. 4 (Cleveland).

Reports from District No. 3 (Philadelphia) indicate that building activity is particularly pronounced in Atlantic City and in the vicinity of Philadelphia. Manufacturers of building materials report a large and increasing demand, while prices have advanced considerably. In District No. 7 (Chicago) construction operations at Detroit and Chicago showed unusually large gains during May, and the increase in the average value of new permits indicated that larger buildings are being erected. Permits issued by cities of District No. 3 (St. Louis) indicate that new projects included more classes of construction in May than in any preceding month of 1922. Building operations in District No. 10 (Kansas City) were the largest ever recorded in a single month, although somewhat limited by storms and floods in some sections. Construction activity registered a rather marked decline in District No. 11 (Dallas), during May, as compared with April, but was maintained at a considerably higher level than in May, 1921.

EMPLOYMENT: Current testimony as to the increased opportunities for employment and the limited number of persons seeking positions is even more unanimous and emphatic than it has been during the immediately preceding months. The United States Employment Service announced an increase of 3.2 per cent in numbers employed at the end of May as compared with April for the 1,428 firms covered by its survey. The decreases were confined to a limited group of workers and were relatively unimportant. In District No. 1 (Boston) the metal working industry and the building trades have been active, but the strike in the cotton textile mills of the District still continues, although some mills have reopened and report an increasing number of employees. Employment agencies in District No. 2 (New York) state that there is a shortage of unskilled labor, while according to the New York State Department of Labor the numbers employed in industrial establishments in the State are about equal to the totals for March, 1921. As compared with April, moreover, most of the larger cities report increases in numbers at work in May. An advance in average weekly earnings in New York factories is a significant indication both of the increasing scale of operations in some establishments and also of increased rates of pay in certain lines in which labor shortages have developed. In District No. 3 (Philadelphia), the Pennsylvania State Department of Labor announces that 104,055 persons were unemployed on June 15th in the six cities of Altoona, Harrisburg, Johnstown, Philadelphia, Scranton and Williamsport, the lowest figure since December 30, 1920, and a decrease of 25.3 per cent from the estimates of May 15th. In District No. 5 (Richmond), it is said that reports from various sections of the District show that common labor is becoming scarce in some localities and that there have been a few scattered advances in wages. The building

trades, road work and other public improvements have given employment to large numbers of unskilled laborers. Such unemployment as still exists is largely due to strikes in the coal mining regions of West Virginia.

District No. 6 (Atlanta) notes increased employment in the cities and also increases in output both in coal mining and in the iron and steel industries in Alabama. District No. 7 (Chicago) emphasizes the need for workers in the steel mills and the existing shortages in lumber camps and saw mills. Foundries and machine shops are likewise reported to be in need of men. Construction work and the automobile industry have been leading factors in the demand for labor. The special survey of employment conditions made by the Federal Reserve Bank of Chicago shows a gain of 4.4 per cent of numbers employed by 198 firms having 117,047 persons on their pay rolls at the end of May. Employment conditions in District No. 9 (Minneapolis) are said to have undergone a noticeable change during the last 30 days because all labor wanting work is now able to find it and employers for the first time in two years are not able quickly to find needed help. In fact there are shortages of skilled laborers in the building trades, of skilled miners in the copper regions, and of experienced farm help. District No. 10 (Kansas City) reports that there is greater industrial activity in the District than for several months past, although a delay of about two weeks in beginning the wheat harvest left considerable numbers unemployed in the interior cities. The increase in building and construction work and renewed activity in the lead and zinc mining regions have been very favorable factors. In District No. 11 (Dallas) idle workers have been absorbed in part by the harvesting demand, although recently there has been a reduction in building activity which

has added to numbers unemployed. It is reported from District No. 12 (San Francisco) that unemployment during May was confined almost entirely to unskilled labor which was, however, being rapidly absorbed. Salmon fishing and canning began in May and offered employment to large numbers of men. Reports from identical establishments in the principal lumbering sections of Oregon, Washington, and Idaho shows that 77,400 men were on the pay roll June 1st as compared with 54,000 men on June 1, 1921, an increase of 43 per cent. All lumber camps and mills in Oregon, Washington, and Idaho are reported to be employing over 100,000 men. Employment in the mines and in the petroleum industry of California was below normal during May but was increasing, while in Arizona, Idaho, Nevada and Utah there was an increasing demand from the mines and for agricultural work. Coal miners on strike in Utah have found employment in considerable numbers in the copper mining regions. According to the United States Employment Service employment in manufacturing industries in the cities advanced fractionally in Portland and Seattle, but was somewhat less in Los Angeles and San Francisco.

WHOLESALE TRADE

Percentage of increase (or decrease) in net sales in
May, 1922 as compared with the preceding month
(April, 1922)

Groceries			Dry Goods			Hardware			Boots and Shoes		
Dis- trict No.	Per- centage ing	Number of Firms Report- ing	Per- centage ing	Number of Firms Report- ing	Per- centage ing	Number of Firms Report- ing	Per- centage ing	Number of Firms Report- ing			
2	-5.2	42	0.6	8	11.9	11	-4.4	10			
3	17.4	50	-0.4	15	4.1	27					
4	12.8	26	2.0	13	12.6	12					
5	12.6	48	-6.9	16	3.9	17	-15.9	19			
6	16.8	37	-4.2	23	3.4	22	-25.5	10			
7	11.3	42	16.1	12	14.1	14	-8.6	10			
9	10.8	38	16.1	5	8.9	10	-6.6	4			
10	8.5	9	-3.3	7	11.3	8					
11	5.8	12	1.2	12	3.5	12					
12	13.6	32	6.8	14	14.3	22	0.4	14			

Percentage of increase (or decrease) in net sales in
May, 1922 as compared with May, 1921.

2	-0.7	42	-11.1	8	13.9	11	-9.5	10
3	-2.4	50	-17.8	15	9.0	27		
4	-7.3	26	-4.5	13	8.6	12		
5	1.2	48	-7.7	16	4.7	17	1.8	19
6	-1.6	37	7.2	23	1.5	22	2.2	10
7	2.3	40	8.7	12	22.0	14	-4.2	10
9	1.4	38	-11.6	5	6.9	10	4.9	4
10	0.2	9	-0.7	7	13.8	8		
11	-5.2	12	-6.1	12	-1.2	12		
12	3.4	32	10.5	14	23.7	22	-2.5	14

A very general and decided increase in wholesale sales of groceries and of hardware is reported by all Districts except District No. 2 (New York) in which grocery sales declined 5.2 per cent. Grocery sales in certain sections have been stimulated by the opening of the fruit canning season and by the consequent increase in purchases of sugar. There has also been a larger demand for staples and canned goods. The growing demand for farmers' supplies and builders' hardware has been an important factor in the increased hardware

sales that have occurred during the month and in general; sales in May were well above the totals for a year ago.

In the case of dry goods and shoes, there is evidence of between season dullness and decreases in sales as compared with the preceding month were to have been expected. In some Districts dry goods sales dropped decidedly as compared with a year ago. In District No. 3 (Philadelphia) for example, a fall of 17.8 per cent is attributed to the effects of the coal strike, as many retailers in mining sections have been buying only 25 to 50 per cent of normal requirements. Outside the coal regions, however, there has been an increasing demand. District No. 6 (Atlanta) calls attention to the fact that although dry goods sales showed a decline as compared with April they are 7.2 per cent in excess of May, 1921. The rise in the price of cotton and the textile strike in New England have resulted in some price advances by the local wholesalers. In District No. 10 (Kansas City) in which dry goods sales were slightly below those of last year the decline was attributed to weather conditions which were unfavorable to the sale of summer goods.

RETAIL TRADE: Six of the twelve Federal Reserve Districts reported increased retail sales during May as compared with the same month last year. The decreases reported practically offset the increases so that for the country as a whole retail trade for the month appears to be as large as in May, 1921, but cumulative sales for the year 1922 continue to compare unfavorably with sales for the corresponding period of 1921 in all Districts. The various lines of merchandise have fared equally

well, and the demand is for medium-priced articles. The big crop of small fruits and vegetables, the more seasonable weather, and the universally favorable outlook for crops have been important factors in stimulating business in the farming districts. The more pessimistic reports are largely from sections dependent on the coal-mining industry for their prosperity.

Reports from 452 department stores in the United States indicate an increase of 0.8 per cent in sales over a year ago. The increase of 15.5 per cent in the District No. 12 (San Francisco) over sales for last May is particularly encouraging while the largest decrease amounts to 7.2 per cent for District No. 6 (Atlanta). The stocks on hand at the end of May are about the same size as on May 31, 1921. A comparison with stocks for April shows a reduction of 3.3 per cent, which, with the increased sales, produced a more rapid rate of turnover. The slight increase in the ratio of outstanding orders to purchases for 1921 indicates that the buyers are beginning to place their fall orders.

FOREIGN TRADE: There was a moderate decline in exports from the United States during May, the reported value amounting to \$308,000,000 as compared with \$318,000,000 in April. At the same time imports after dropping decidedly in April rose very nearly to the level of two months ago, the figures reported for May being \$254,000,000. The excess of exports over imports which in April amounted to slightly over \$100,000,000 was therefore reduced to \$54,000,000 in May. The Federal Reserve Board's foreign trade index for exports declined from 106.0 in April to 99.4 in May, showing that there was some reduction as compared with the earlier month in the average quantities of the principal commodities exported. The index for imports rose from 169.1 in April to 177.9 in May, but the

volume of import trade indicated by the latter figure was considerably below that indicated for March, when the index stood at 206.5.

The movement of gold continued during May on the much reduced scale of the previous month, with imports valued at \$9,000,000 and exports at \$3,400,000. Net imports of the metal last month were thus less than \$6,000,000 in contrast to \$57,000,000 in May, 1921, and a monthly average of \$28,000,000 during the first three months of the current year.

FEDERAL RESERVE BOARD
WASHINGTON

X-3460

July 6, 1922.

SUBJECT: Edge Act Corporations;
Report of Condition as at the Close of Business,
June 30, 1922.

Dear Sir:

Under the provisions of the Board's Regulation K, Series of 1920, governing banking corporations authorized to do foreign banking business under the terms of Section 25 (a) of the Federal Reserve Act, you are hereby respectfully requested to furnish the Board with a report of condition, as at the close of business June 30, 1922, giving in detail all assets and liabilities of your corporation and the data asked for in the accompanying memorandum.

Kindly acknowledge receipt.

Very truly yours,

G o v e r n o r .

(Enclosure)

TO EDGE ACT CORPORATIONS.

REPORT OF CONDITION TO FEDERAL
RESERVE BOARD

X-3460a

The following information is desired in connection
with the report of condition to be made as
at close of business June 30, 1922.

1. Detailed balance sheet showing all assets and liabilities, including contingent liabilities. It is requested that the items for which detailed schedules are requested below be shown as separate accounts on the balance sheet.
2. Amount of loans and discounts, divided: Secured - Unsecured
 - (a) Demand
 - (b) Time
 - (c) Overdrafts and other advancesTotal
3. Detailed list of investments, showing:
 - (a) Issuing Government or corporation
 - (b) Interest rate
 - (c) Maturity
 - (d) Par value
 - (e) Book value
 - (f) Approximate market value -
4. List of banks having balances due to your corporation with amount for each bank separately:
 - (a) Government bank
 - (b) Domestic banks
 - (c) Foreign banks
5. List of banks having balances due from your corporation with amount for each bank separately:
 - (a) Domestic banks
 - (b) Foreign banks
6. Bills payable:
 - (a) Payable to:
 - (b) Amount
 - (c) Interest rate
 - (d) Maturity
 - (e) Collateral - give list
7. Rediscounts:
 - (a) Amount
 - (b) Maturity
 - (c) Rate
 - (d) With whom
 - (e) secured or unsecured - if secured, give detailed information regarding security.

8. Reserve Statement:

Deposits in the United States:

- (a) Net demand deposits (after deducting uncollected demand items payable within United States - exchanges)
- (b) Time deposits
- (c) Reserve held:
 - Cash on hand
 - Bank balances _____
 - Total
 - Per cent of reserve -

9. Acceptances - limitations:

- (a) Acceptances outstanding:
 - 1. Maturing in 30 days or less \$
 - 2. Maturing after 30 days. \$
 - Total outstanding acceptances. \$ _____
- (b) Capital and surplus \$ _____
 - Excess a over b \$
 - Acceptances secured \$
 - Acceptances unsecured \$
 - Amount required to be secured under agreement with Federal Reserve Board \$
 - (Give list of security held as required above giving description and approximate amount)
- (c) List of drawers of drafts accepted, with total aggregate liability in excess of 10 per cent of capital and surplus.

<u>Name</u>	<u>Address</u>	<u>Business</u>	<u>Aggregate Liability</u>	<u>Security* or Guaranty</u>
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- (d) Reserve against outstanding acceptances:
 - Required: 15% against all acceptances outstanding which mature in 30 days or less; and
 - 3% against all acceptances outstanding which mature in more than 30 days.
 - 1. Cash (**)
 - 2. Bank balances (**)
 - 3. Bankers acceptances
 - 4. Securities approved by Federal Reserve Board (List in detail) _____
 - Total

(*) If security, state what the security consists of, giving quantity and approximate value; if a bank guaranty, give name and location of bank.

(**) These amounts, of course, must not include those appearing in 8-(c) as part of your reserve against deposits.

10. General Limitations:

Per cent deposits and acceptances outstanding to capital
and surplus _____

11. List of officers and directors.
12. List of stockholders, showing number of shares owned by each.
13. Date of last examination or audit - by whom made.

FEDERAL RESERVE BOARD

WASHINGTON

X-3461

July 6, 1922.

SUBJECT: Foreign and International Banking Institutions;
Report of Condition as at the Close of Business,
June 30, 1922.

Dear Sir:

Under authority of the agreement entered into by your corporation with the Federal Reserve Board, you are hereby respectfully requested to furnish the Board with a report of condition, as at the close of business June 30, 1922, giving in detail all assets and liabilities of your corporation and the data asked for in the accompanying memorandum.

Kindly arrange to file the report of your Head Office and domestic branches combined as soon as possible. Separate reports of foreign branches and affiliated banks should be sent as soon as they are received by you. It will be appreciated if, after the reports have been received from all of your foreign branches and affiliated banks, you will have prepared a consolidated statement of your corporation to be sent to the Board.

While the Board has ruled that no specific reserve has to be carried by foreign branches or affiliated institutions of American banking corporations against deposits abroad, it, nevertheless, wishes to be advised as to the average reserve carried by all such branches and affiliated institutions of corporations which are operating under agreement with the Federal Reserve Board. You are, therefore, requested to have each of your foreign branches, agencies, offices and subsidiary banks furnish you, for transmission to the Board, a report of the average reserve carried during the month of June, 1922, against deposit liabilities in the form shown in the accompanying memorandum.

Kindly acknowledge receipt.

Very truly yours,

G o v e r n o r .

(Enclosure)

TO BE SENT TO SPECIAL LIST.

X-3461a

REPORT OF CONDITION TO FEDERAL
RESERVE BOARD.

The following information is desired in connection with the report of condition to be made as at close of business June 30, 1922.

- - - - -

A. HEAD OFFICE AND DOMESTIC BRANCHES COMBINED

1. Detailed balance sheet showing all assets and liabilities, including contingent liabilities. It is requested that the items for which detailed schedules are requested below be shown as separate accounts on the balance sheet.
2. Amount of loans and discounts, divided: Secured - Unsecured
 - (a) Demand
 - (b) Time
 - (c) Overdrafts and other advances
 - Total
3. Detailed list of investments (including stock of affiliated institutions) showing:
 - (a) Issuing Government or corporation
 - (b) Interest rate
 - (c) Maturity
 - (d) Par value
 - (e) Book value
 - (f) Approximate market value -
4. Ownership of stock of affiliated institutions:
 - (a) Per cent owned by yourselves
 - (b) Per cent owned by foreign Governments
 - (c) Per cent owned by individuals and corporations
5. List of banks, branches, etc. having balances due to your corporation with amount for each bank separately:
 - (a) Government bank
 - (b) Domestic banks
 - (c) Foreign banks
 - (d) Foreign branches, agencies and affiliated institutions
6. List of banks, branches, etc. having balances due from your corporation with amount for each bank separately:
 - (a) Domestic banks
 - (b) Foreign banks
 - (c) Foreign branches, agencies and affiliated institutions
7. Bills payable:
 - (a) Payable to:
 - (b) Amount
 - (c) Interest rate
 - (d) Maturity
 - (e) Collateral - give list

X-3461a

8. Rediscounts:

- (a) Amount
- (b) Maturity
- (c) Rate
- (d) With whom
- (e) Secured or unsecured - if secured, give detailed information regarding security.

9. Reserve Statement:

Deposits in the United States:

- (a) Net demand deposits (after deducting uncollected demand items payable within United States - exchanges)
 - (b) Time deposits
 - (c) Reserve held:
 - Cash on hand
 - Bank balances _____
 - Total
- Per cent of reserve -

10. Acceptances - limitations:

- (a) Acceptances outstanding:
 - 1. Maturing in 30 days or less \$ _____
 - 2. Maturing after 30 days \$ _____
 - Total outstanding acceptances. \$ _____
- (b) Capital and surplus \$ _____
 - Excess a over b \$ _____
- Acceptances secured \$ _____
- Acceptances unsecured \$ _____
- Amount required to be secured under agreement with Federal Reserve Board \$ _____
(Give list of security held as required above giving description and approximate amount)
- (c) List of drawers of drafts accepted, with total aggregate liability in excess of 10 per cent of capital and surplus.

Name	Address	Business	Aggregate Liability	Security* or Guaranty
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(d) Reserve against outstanding acceptances:

Required: 15% against all acceptances outstanding which mature in 30 days or less; and 3% against all acceptances outstanding which mature in more than 30 days.

- 1. Cash (**)
 - 2. Bank balances (**)
 - 3. Bankers acceptances
 - 4. Securities approved by Federal Reserve Board (List in detail) _____
- Total

(*) If security, state what the security consists of, giving quantity and approximate value; if a bank guaranty, give name and location of bank.

(**) These amounts, of course, must not include those appearing in 9-(c) as part of your reserve against deposits.

11. General limitations:

X-3461a

Per cent deposits and acceptances outstanding to capital
and surplus _____

12. List of officers and directors.
13. List of stockholders, showing number of shares owned by each.
14. List of branches, sub-branches, agencies, offices and affiliated institutions - date of opening of each and the location.
15. Date of last examination or audit - by whom made.

B. FOREIGN BRANCHES, AGENCIES AND SUBSIDIARY BANKS AND CORPORATIONS.

1. Balance sheet to be furnished by each, showing in detail all assets and liabilities, including contingent liabilities. It is requested that the items for which detailed schedules are requested below be shown as separate accounts on the balance sheet.
2. Amount of loans and discounts, showing: Secured - Unsecured
 - (a) Demand
 - (b) Time
 - (c) Overdrafts and other advances
3. Detailed list of investments, showing:
 - (a) Issuing Government or corporation
 - (b) Interest rate
 - (c) Maturity
 - (d) Par value
 - (e) Book value
 - (f) Approximate market value
4. List of banks having balances due to your branch with amount for each bank separately:
 - (a) Government bank
 - (b) Banks and bankers
 - (c) Head Office
 - (d) Other branches, agencies and affiliated institutions
5. List of banks having balances due from your branch with amount for each bank separately:
 - (a) Banks and bankers
 - (b) Head Office
 - (c) Other branches, agencies and affiliated institutions
6. Bills payable:
 - (a) Payable to
 - (b) Amount
 - (c) Interest rate
 - (d) Maturity
 - (e) Collateral (Give detailed list)

7. Rediscounts:

- (a) Amount
- (b) Maturity
- (c) With whom
- (d) Rate
- (e) Secured or unsecured - if secured, give detailed data

X-3461a

8. Deposits:

Dollar
EQUIVA-
LENT

(a) Government deposits (if secured give list of collateral)

- 1. Demand
- 2. Time

Other deposits

- 3. Demand
- 4. Time _____

Total

(b) Deposits - how payable:

- 1. Local Currency
- 2. Dollar
- 3. Sterling
- 4. Otherwise _____

Total

9. Special Reserve Statement - average for month of June, 1922.

(a) Net deposits:

- 1. Payable in local currency
- 2. " in dollars
- 3. " in sterling
- 4. " Otherwise _____

Total

(b) Reserve:

- 1. Amount, if any, and composition required by local laws.
- 2. Amount held:

	<u>Amount</u>	<u>Per cent to net deposits</u>
(a) Gold and Silver.....	\$	%
(b) Local currency.....		
(c) Other cash.....		
(d) Balance in local.....		
Govt. bank.....		
(e) Other reserve funds _____		

Total

10. Date of last examination or audit - by whom made.

NOTE: 1. Where a schedule does not refer to your corporation, please indicate this by inserting the word "None".

2. Reports for foreign branches, agencies, etc., should be in terms of United States dollars, stating the rate of exchange at which they were converted.

FEDERAL RESERVE BOARD

WASHINGTON

X-3462

June 29, 1922.

SUBJECT: Calculation of Franchise Taxes as Affected
by Surplus and Super-surplus.

Dear Sir:

At the end of the year 1921 each of the Federal Reserve Banks except the Federal Reserve Bank of Dallas had accumulated a normal surplus fund equal to 100% of subscribed capital, and in addition had established a super-surplus fund representing the amount of surplus in excess of 100% of subscribed capital. The question has been raised as to the effect of maintaining these two separate surplus funds, known as normal surplus and super-surplus respectively, in calculating the annual franchise taxes to be paid by the Federal Reserve Banks to the United States. For your information there is enclosed herewith a copy of an opinion of the Board's Counsel, dated June 5, 1922, with reference to this question. This opinion has been approved by the Federal Reserve Board and the Board will require the Federal Reserve Banks to calculate their annual franchise taxes in the manner therein indicated. If, therefore, the aggregate amount of the normal surplus and super-surplus of a Federal Reserve Bank is not less than 100% of the subscribed capital of the bank at the end of the year 1922, the Bank will be required to pay to the United States as a franchise tax for the year 1922, 90% of the current earnings for the year after the deduction of expenses, dividends and proper charges for reserves, depreciation and losses.

This method of calculating franchise taxes is not entirely in accord with the practice in former years, as will be seen by reference to the Board's circular letter of December 8, 1921, (St. 2467) with regard to the closing of the books of the Federal Reserve Banks on December 31, 1921. The practice in former years has been for Federal Reserve Banks, in calculating franchise taxes, to deduct from their net earnings whatever amount was necessary to bring their normal surplus up to 100% of subscribed capital, without reference to the amount of their super-surplus fund. After giving the matter careful consideration the Board has concluded that this past practice is not

authorized under the terms of the law, and the Federal Reserve Banks will, therefore, at the time they pay their franchise taxes for the year 1922 be required to make proper adjustment with the Treasury on account of franchise taxes for former years. Detailed instructions will be forwarded in due course.

Yours very truly,

G o v e r n o r .

(Enclosure)

TO GOVERNORS OF ALL F. R. BANKS
COPIES TO CHAIRMEN.

Federal Reserve Board.

June 5, 1922.

Walter S. Logan, General Counsel.

Surplus of Federal Reserve
Banks.

The second paragraph of Governor Strong's letter of May 26th raises the question whether, when the subscribed capital of a Federal Reserve Bank is increased during the year, the Bank's normal surplus should be increased to 100% of the increased subscribed capital by a transfer from the super-surplus fund or by setting aside a part of current earnings. At the end of 1921 the Federal Reserve Bank of New York had, out of its past earnings, accumulated a normal surplus fund equal to 100% of subscribed capital and had also created a super-surplus fund. During the year 1922 the subscribed capital of the Bank will be increased by increases in the capital of member banks and by additional banks becoming members. The question which Governor Strong raises is whether the normal surplus of the Federal Reserve Bank should be increased to 100% of the subscribed capital at the end of 1922, by a transfer from super-surplus to surplus or by carrying a part of the earnings for the year 1922 to normal surplus before any franchise tax is paid to the United States.

Section 7 of the Federal Reserve Act refers to "a surplus fund" and "the surplus". The law contemplates that there will be but a single surplus fund for each Federal Reserve Bank, and the division of the surplus into two separate funds known as "normal surplus" and "super-surplus" respectively is a mere bookkeeping operation which should not effect the amount of the franchise tax to be paid to the Government. When, therefore, normal surplus plus super surplus equals or exceeds subscribed capital, 90% of current earnings, after the payment of expenses and dividends, must be paid to the United States as franchise tax, and only 10% of such current earnings can be carried to surplus. I am of the opinion, therefore, that at the end of the year 1922 a transfer should be made from the super-surplus to normal surplus of an amount equal to the amount by which the subscribed capital of the Federal Reserve Bank has been increased during the year, and that if the sum of the normal surplus and the super-surplus is not less than the subscribed capital at that time none of the current earnings of the bank should be carried to normal surplus and only 10% of the current earnings after the payment of expenses and dividends should be carried to super-surplus.

Respectfully,

(Signed) Walter S. Logan,

General Counsel

FEDERAL RESERVE BOARD
GOLD SETTLEMENT FUND

X-3463
Washington, D. C.
June 30, 1922.

Summary of transactions for period ending June 29, 1922.

(CONFIDENTIAL)

Federal Reserve Bank of	Balance last statement June 22, 1922.	Gold Withdrawals	Gold Deposits	Aggregate withdrawals and transfers to Agent's fund	Aggregate deposits and transfers from Agent's fund	TRANSFERS	
						Debits	Credits
Boston	\$ 32,899,311.68	\$ -	\$ -	\$ -	\$ -	\$ 3,000,000.00	\$ -
New York	119,127,720.47	-	8,000,000.00	-	8,000,000.00	-	7,000,000.00
Philadelphia	47,840,133.02	-	1,000,000.00	2,000,000.00	1,000,000.00	1,000,000.00	-
Cleveland	47,702,780.61	-	1,000,000.00	-	1,000,000.00	3,000,000.00	-
Richmond	35,627,970.73	-	-	-	-	-	-
Atlanta	22,044,619.87	-	-	-	-	-	-
Chicago	106,355,133.03	-	2,000,000.00	10,000,000.00	2,000,000.00	-	-
St. Louis	21,029,938.11	-	1,000,000.00	2,000,000.00	3,000,000.00	-	-
Minneapolis	26,547,518.15	-	-	-	-	-	-
Kansas City	30,913,676.44	-	2,000,000.00	-	2,000,000.00	-	-
Dallas	9,385,631.71	-	-	-	-	-	-
San Francisco	30,257,217.61	-	1,000,000.00	-	1,714,500.00	-	-
Total	\$ 529,731,651.43	\$ -	\$ 16,000,000.00	\$ 14,000,000.00	\$ 18,714,500.00	\$ 7,000,000.00	\$ 7,000,000.00

Federal Reserve Bank of	Settlements from June 23, 1922 to June 29, 1922 inclusive.				Balance in fund at close of business June 29, 1922.	Summary of changes in ownership of gold by banks through transfers and settlements.	
	Net Debits	Total Debits	Total Credits	Net Credits		Decrease	Increase
Boston	\$ -	\$ 105,109,092.62	\$ 106,565,178.52	\$ 1,456,085.90	\$ 31,355,397.58	\$ 1,543,914.10	\$ -
New York	-	426,669,921.74	441,243,551.53	14,573,629.79	148,701,350.26	-	21,573,629.79
Philadelphia	2,620,790.65	133,859,822.46	131,239,031.81	-	43,219,342.37	3,620,790.65	-
Cleveland	-	120,699,788.58	123,707,209.16	3,007,420.58	48,710,201.19	-	7,420.58
Richmond	-	86,465,436.31	91,428,569.74	4,963,133.43	40,591,104.16	-	4,963,133.43
Atlanta	41,638.97	45,246,310.12	45,204,671.15	-	22,002,980.90	41,638.97	-
Chicago	2,102,543.07	236,886,265.16	234,783,722.09	-	96,252,589.96	2,102,543.07	-
St. Louis	6,739,563.59	101,745,535.29	95,005,971.70	-	15,290,374.52	6,739,563.59	-
Minneapolis	2,762,138.73	31,992,767.73	29,230,629.00	-	23,785,379.42	2,762,138.73	-
Kansas City	7,954,114.08	82,085,649.71	74,131,535.63	-	24,959,562.36	7,954,114.08	-
Dallas	1,531,731.64	39,905,395.92	38,373,664.28	-	7,853,900.07	1,531,731.64	-
San Francisco	247,748.97	67,690,691.19	67,442,942.22	-	31,723,968.64	247,748.97	-
Total	\$ 24,000,269.70	\$ 1,478,356,676.83	\$ 1,478,356,676.83	\$ 24,000,269.70	\$ 534,446,151.43	\$ 26,544,183.80	\$ 26,544,183.80

FEDERAL RESERVE AGENTS' FUND

X-3463 a
Washington, D. C.
June 30, 1922.

Summary of transactions for period ending June 29, 1922.

(CONFIDENTIAL)

Federal Reserve Agent at	Balance last statement June 22, 1922.	Gold Withdrawals	Gold Deposits	Withdrawals for transfers to bank	Deposits through transfers from bank	Total Withdrawals	Total Deposits	Balance at close of business June 29, 1922.
Boston	\$ 118,000,000	\$ 10,000,000	\$ -	\$ -	\$ -	\$ 10,000,000	\$ -	\$ 108,000,000
New York	401,000,000	-	-	-	-	-	-	401,000,000
Philadelphia	141,389,260	5,000,000	-	-	2,000,000	5,000,000	2,000,000	138,389,260
Cleveland	145,000,000	-	-	-	-	-	-	145,000,000
Richmond	52,795,000	3,000,000	-	-	-	3,000,000	-	49,795,000
Atlanta	94,000,000	-	500,000	-	-	-	500,000	94,500,000
Chicago	341,644,500	2,000,000	-	-	10,000,000	2,000,000	10,000,000	349,644,500
St. Louis	42,800,000	-	-	2,000,000	2,000,000	2,000,000	2,000,000	42,800,000
Minneapolis	16,000,000	-	-	-	-	-	-	16,000,000
Kansas City	48,360,000	-	-	-	-	-	-	48,360,000
Dallas	10,000,000	-	-	-	-	-	-	10,000,000
San Francisco	174,166,500	-	-	714,500	-	714,500	-	173,452,000
Total	\$ 1,585,155,260	\$ 20,000,000	\$ 500,000	\$ 2,714,500	\$ 14,000,000	\$ 22,714,500	\$ 14,500,000	\$ 1,576,940,760

FEDERAL RESERVE BOARD

WASHINGTON

January 3, 1922.
St. 2521.

SUBJECT: Revised form 38, Classifi-
cation of Discounted and
Purchased Bills.

Dear Sir:

With reference to the Board's letter St. 2492,
dated December 17, 1921, there are being forwarded to
you today, under separate cover, copies of revised
form 38, "Classification of Discounted and Purchased
Bills" for use of your bank (and branches, if any)
during the current year.

Very truly yours,

E. L. Smead, Chief,
Division of Reports and Statistics.

COPY SENT TO EACH F. R. AGENT.

FEDERAL RESERVE BOARD

WASHINGTON

January 6, 1922.
St.2533.

SUBJECT: Number of member banks
accommodated through the
discount of paper during
1921.

Dear Sir:

Will you kindly furnish the Board, for publication in the forthcoming annual report, with a statement showing the number of member banks accommodated through the discount of paper during the year 1921, distributed by States.

Very truly yours,

E. L. Smead, Chief,
Division of Reports and Statistics.

(Copy sent to each Federal Reserve Agent.)

FEDERAL RESERVE BOARD

WASHINGTON

January 14, 1922.
St.2548.

SUBJECT: Monthly report of cash reserves
and other money held by F. R.
Bank and Agent.

Dear Sir:

In order to enable the Board to furnish the Treasury Department with certain additional data for use in compiling the monthly circulation statement and to expedite the preparation of the stock of money table published regularly in the Federal Reserve Bulletin, it is requested that the Board be furnished with a statement as of the end of each month showing the amount of each class of money held by the Federal reserve bank (including branches) and the Federal reserve agent. For this purpose, form 44-a has been revised, as per copy attached, and a supply of the new form is being sent to you today under separate cover.

Your attention is invited to the request at the bottom of the form, that the report be mailed or telegraphed (in dollars) in time to reach the Board's offices not later than one o'clock on the third business day of each month. It is hoped that this will allow ample time to permit a careful checking of the figures before they are furnished to the Board, in order to obviate the necessity of revising the circulation statement once it is issued by the Treasury Department. It will also be noted that for the purposes of the report on form 44-a, unassorted currency held at the end of the month should be distributed among the several classes of money held by the bank, such distribution to be based on percentages determined by experience in sorting currency received by the bank. When the report is made by telegraph, code words against which no amounts are shown should be omitted.

- 2 -

St.2548.

The first report on revised form 44-a should be rendered as at close of business on January 31, 1922. In this connection it is requested that, if practicable the Board be furnished not later than January 28 with a statement giving gold bullion and coin holdings of the Federal reserve bank and Federal reserve agent, distributed in the manner called for by items 1 to 4 and 8 to 10 of revised form 44-a, as at close of business on the last day of each month in 1921.

Very truly yours,

GOVERNOR.

Enclosure.

Letter sent to all F. R. Agents.

CASH RESERVES AND OTHER MONEY HELD BY THE FEDERAL RESERVE BANK

AND AGENT AT _____

On the last day of the month of _____ 19__.

Item	Code	Amount
Gold holdings of F. R. Bank:		
1. U. S. Mint and Assay Office bars	RACK	\$ _____
2. U. S. gold coin	REAL	_____
3. Foreign gold coin	RICE	_____
4. Gold at Assay office awaiting settlement	ROAN	_____
5. Gold certificates	RUSS	_____
6. Gold Settlement Fund - F. R. Board	RAGG	_____
7. Gold Redemption Fund - U. S. Treasurer	RUSH	_____
Gold holdings of F. R. Agent:		
8. U. S. Mint and Assay Office bars	RELY	_____
9. U. S. gold coin	RIST	_____
10. Foreign gold coin	ROTE	_____
11. Gold certificates	RAID	_____
12. Gold Fund - F. R. Board	ROLF	_____
13. Gold Redemption Fund - U. S. Treasurer	REIN	_____
Other reserve cash:		
14. Treasury notes of 1890	RIDE	_____
15. United States notes	RUTH	_____
16. Silver certificates	RADD	_____
17. Standard silver dollars	RENO	_____
18. Subsidiary silver	RIEF	_____
TOTAL CASH RESERVES (to agree with item TENT on form 34).....	ROBB	=====
Non-reserve cash:		
19. National bank notes	RUHR	_____
20. F. R. bank notes of other F. R. banks	RAKE	_____
21. F. R. notes of other F. R. banks	RENT	_____
22. F. R. notes - own - outstanding	RACE	_____
23. F. R. notes - own - held by F. R. bank and branches	RITT	_____
24. F. R. notes - own - forwarded for redemption	ROMA	_____
25. F. R. bank notes - own - held by bank and branches	RUFF	_____
GRANT TOTAL (Cash reserves plus items 19 - 25)	RAND	=====

Federal Reserve Agent.

NOTE: For purposes of this statement, unassorted currency held at the end of the month should be distributed, on a percentage basis, among the several classes of currency held by the F. R. Bank.

This report should be mailed or telegraphed (in dollars) in time to reach the Board's offices not later than one o'clock on the third business day of every month. Telegraphic reports should be followed by complete mail statements as soon as practicable. The telegram should not give the code words against which no amounts are reported.

St. 588.

FEDERAL RESERVE BOARD
WASHINGTON

February 9, 1922.
St. 2596.

SUBJECT: Maturity distribution of
certificates on balance
sheet, form 34.

Dear Sir:

On examining balance sheets form 34 received from some of the Federal reserve banks, it is noted that occasionally the figures reported on the reverse side under the heading "U. S. Certificates of Indebtedness", codes LAST to TONG, include U. S. Treasury notes. Amounts reported under the heading mentioned should represent the maturity distribution of certificates of indebtedness only, and it will be appreciated, therefore, if hereafter U. S. Treasury notes are excluded from the maturity classification both in the weekly form 34 telegram and in the mail report on form 34.

Very truly yours,

Walter L. Eddy,
Assistant Secretary.

Letter sent to each F. R. Agent.

FEDERAL RESERVE BOARD

WASHINGTON

February 20, 1922.
St.2608.

SUBJECT: Schedule on Personnel for
1921 Annual report.

Dear Sir:

Referring to the schedule on personnel furnished in response to the Board's letter X-3274 of December 19, it has been decided, pending the adoption of a uniform system of classifying officers and employees by all Federal reserve banks, to use a form of schedule in the 1921 annual report that will admit of ready comparison with the figures for December 31, 1920, as shown in the 1920 annual report. Accordingly, we are enclosing herewith a copy of the schedule for your bank and would request that you advise the Board whether the figures for the two years are on a comparable basis, and if not that necessary changes in the 1921 figures be indicated.

Very truly yours,

Walter L. Eddy,
Assistant Secretary.

Letter sent to F. R. Agents at all banks except Atlanta.

FEDERAL RESERVE BOARD

WASHINGTON

March 6, 1922.

St. 2519.

SUBJECT: Condition Reports of State Bank
and Trust Company Members, Form 105.

Dear Sir:

There are being forwarded to you today under separate cover by registered mail copies of Form 105 revised as of February 15, 1922. Please mail three copies of the form to each state bank and trust company member in your district with instructions to hold the blank forms pending receipt of a call for condition reports, when they should be promptly filled out and two copies mailed to you - in no case later than 10 days after receipt of the call.

It will be noted that the above mentioned form provides that loans and discounts shall be shown gross without deductions on account of bills rediscounted with the Federal reserve and other banks, also that the aggregate amount of rediscounted bills are to be shown in the body of the statement against liability item No. 30. Special attention of member banks should be called to the fact that the total amount of bills payable and rediscounts as reported against items 29 and 30 on the face of the form should be in agreement with totals reported against items 5 and 9, respectively, of schedule 4 on the reverse side. In view of the above change in form, member banks should be advised that the general instructions, issued by the Board under date of December 1921, are still in effect, but that the instructions relating to items formerly deducted from gross loans and discounts now apply to corresponding items shown on schedule 4.

In order that the compilation of the Board's abstract showing the condition of all state bank and trust company members combined as of the date of the next call may not be unduly delayed, it will be appreciated if the reports are forwarded to the Board as soon as practicable after they are received by the F. R. bank. Special effort should be made to see that all the reports reach the Board within 20 days after date of call. Member banks should be instructed to use only the forms revised as of February 15, 1922 in making out condition reports submitted in compliance with the next call.

Very truly yours,

Walter L. Eddy,
Assistant Secretary.

FEDERAL RESERVE BOARD

WASHINGTON

March 6, 1922.
St. 2629.

SUBJECT: Rediscounts.

Dear Sir:

In accordance with the recommendation of the Federal Reserve Agents at their conference with the Federal Reserve Board in October 1921, the Board has ruled that in the future bills rediscounted by member banks and by Federal reserve banks shall be included with other discounted bills on the asset side of condition reports and set up separately as a new item among liabilities, instead of being reported as a contingent liability below the body of condition reports as has been the practice in the past. A supply of Form 105, revised as of February 15, 1922 to provide for the inclusion of rediscounts in the body of the report, will be forwarded to you today for use of State bank and Trust company members in preparing their next condition reports.

In case one Federal reserve bank rediscounts paper with another in the future, the rediscounting or borrowing bank will include the amount of rediscounted bills with its bill holdings under the general caption "Bills discounted for member banks", and report the amount thereof against liability item "Bills rediscounted with other Federal reserve banks", which will appear immediately preceding the item "All other liabilities". The discounting or lending bank should change the general caption "Bills discounted" appearing in the present statement to "Bills discounted for member banks", and insert a new item "Bills discounted for other Federal reserve banks" immediately before item "Bills bought in open market". Inasmuch as the amounts of bills rediscounted with other Federal reserve banks will be included in the total earning assets of the borrowing banks as well as in those of the lending banks, the caption "Total earning assets" in the Board's detailed statement of condition of Federal reserve banks and in statements of borrowing banks will read "Total earning assets, including rediscounts with other Federal reserve banks".

No changes will be made in the Board's consolidated press statement for the reason that all inter-Federal reserve bank discount operations must be eliminated in order to obtain a consolidated statement of the resources and liabilities of the System as a whole. As the sum of resources and liabilities in the detailed statement will, therefore, exceed the resources and liabilities shown in the consolidated statement by the amount of paper under rediscount between Federal reserve banks, a note will be added to the Board's detailed statement of resources and liabilities to show that the figures are inclusive of rediscounts between Federal reserve

banks. A sample form of the revised statement is enclosed, in which new items are shown in parentheses and on which lines have been drawn through items to be eliminated. On the daily balance sheet, form 34, the rediscounting or borrowing bank should include paper under rediscount in its bill holdings and report the total amount thereof in the Miscellaneous Liabilities block against code COTT. The lending bank should report rediscounts for other Federal Reserve Banks following code BURK against code BARR. Data with regard to maturities on the reverse side of the form should be exclusive of rediscounts for other Federal Reserve Banks, i.e., they should cover paper discounted for member banks in your own district, and acceptances bought in the open market. Inasmuch as no Federal reserve bank is now rediscounting any of its paper, no changes will be made in the form of the Board's weekly statement until it again becomes necessary for some Federal reserve bank to rediscount with another Federal reserve bank.

In view of the revised form of statement and with the idea of definitely determining in all cases the extent to which a Federal reserve bank finds it necessary to obtain accommodation from another Federal reserve bank, it is desirable, in case bankers' acceptances are sold by one Federal reserve bank to another for the purpose of obtaining accommodation, that the selling bank endorse such acceptances, in which case they will be shown among "Bills rediscounted with other Federal reserve banks" and "Bills discounted for other Federal reserve banks" by the selling and purchasing banks, respectively. When bankers' acceptances are sold at the request of the purchasing bank, and not at the request of the selling bank for the purpose of obtaining accommodation, they need not be endorsed by the selling bank, and the amount will not be shown among rediscounts nor taken into consideration in calculating adjusted reserve percentages.

Very truly yours,

GOVERNOR.

Enclosure.

Letter sent to all F. R. Agents.

RESOURCES AND LIABILITIES OF THE FEDERAL RESERVE BANKS AT CLOSE OF BUSINESS 1922.

(In thousands of dollars)

R E S O U R C E S

Federal Reserve Bank of - Boston New York Phila. Cleve. Rich. Atlanta Chicago St.Louis Minn. Kans.Cy. Dallas San Fran.

Gold and gold certificates

Gold settlement fund - F. R. Board

Total gold held by banks

Gold with F. R. Agents

Gold redemption fund

Total gold reserves

Legal tender notes, silver, etc.

Total reserves

Bills-discounted:--(a)

(Bills discounted for member banks:)

Secured by U.S.Govt. obligations

All other

(Total)

(Bills discounted for other F. R. Banks)

Bills bought in open market

Total-bills-on-hand

U. S. bonds and notes

U. S. certificates of indebtedness

One-year certificates (Pittman Act)

All other

Municipal Warrants

Total-earning-assets

(Total earning assets including
rediscounts with other F.R. Banks)

Bank premises

5% Redemption fund against F. R.
Bank notes

Uncollected items

All other resources

TOTAL RESOURCES*

(a) ~~Includes bills discounted for
other F. R. Banks, viz:~~

(*Including rediscounts between Federal reserve banks.)

RESOURCES AND LIABILITIES OF THE FEDERAL RESERVE BANKS AT CLOSE OF BUSINESS..... 1922.

St.2627a.

(In thousands of dollars)

LIABILITIES

Boston New York Phila. Cleve. Rich. Atlanta Chicago St.Louis Minn. Kans.Cy. Dallas San Fran.

Federal Reserve Bank
Capital paid in
Surplus
Reserved for Govt. franchise tax
Deposits:
Government
Member bank - reserve account
All other

Total deposits

F. R. notes in actual circulation
F. R. Bank notes in circulation -
net liability
Deferred availability items
(Bills rediscounted with other F.R.Banks)
All other liabilities

TOTAL LIABILITIES*

Ratio of total reserves to deposit and F.R.
note liabilities combined, per cent

~~Contingent-liability-as-endorser-on-dis-~~
~~counted-paper-rediscounted-with-other~~
~~F.-R.-Banks~~

Contingent liability on bills purchased
for foreign correspondents

FEDERAL RESERVE NOTES OUTSTANDING AND IN ACTUAL CIRCULATION

F. R. notes outstanding
F. R. notes held by banks
F. R. notes in actual circulation

DISTRIBUTION OF BILLS, U. S. CERTIFICATES OF INDEBTEDNESS AND MUNICIPAL WARRANTS BY MATURITIES
Within 15 days 16 to 30 days 31 to 60 days 61 to 90 days Over 90 days Total

Bills-discounted
(Bills discounted for member banks)
Bills bought in open market
U. S. certificates of indebtedness

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FEDERAL RESERVE BOARD

WASHINGTON

March 13, 1922.
St.2639.

SUBJECT: Record of Federal Reserve Bank
Discount Rates 1914 - 1921.

Dear Sir:

The Board has recently undertaken the preparation of a comprehensive report covering all changes in Federal Reserve Bank discount rates, from the opening of the banks to the end of the year 1921. A copy of the galley proof of that part of the report which refers to your bank is enclosed herewith.

It will be appreciated if you will kindly have the changes in rates carefully checked against the records of your bank, indicating any errors which may be found either in rates or dates, and return the proof to the Board at your early convenience. In the event changes are found necessary, it will be appreciated if you will kindly furnish the Board, if practicable, with copies of discount rate schedules issued by the bank at the time the rates questioned were put into effect. Except for the year 1921, practically all the information shown is based on tables relating to discount rates as published in the Board's annual reports.

Very truly yours,

Wm. W. Hoxton,
Secretary.

Enclosure.

Letter to all F. R. Agents.

FEDERAL RESERVE BOARD

WASHINGTON

March 14, 1922.
St.2642.

SUBJECT: Weekly "Float" Statement.

Dear Sir:

Inasmuch as no deductions are now being made from deposit liabilities for the purpose of calculating reserve percentages and as there is now a daily Federal reserve note settlement between Federal reserve banks, it is felt that the column indicating the amount of "float after deducting net investment in transfers and National and F. R. Bank notes" in the Board's weekly "float" statement no longer has any special significance. Accordingly, beginning with the statement for the week ending January 4, a copy of which is attached hereto, the statement shows the amount of "float" as measured by the difference between uncollected items and deferred availability items, and the float after deduction of net investments in transfers and all non-reserve cash.

Very truly yours,

Walter L. Eddy,
Assistant Secretary.

Enclosure.

Letter sent to all F. R. Agents.

FEDERAL RESERVE BOARD

WASHINGTON

March 22, 1922.
St2674.

SUBJECT: Abstract of Condition Reports
of State Bank and Trust Company
Members and of all Member Banks
as of December 31, 1921.

Dear Sir:

We are forwarding to you under separate cover copies of the Board's Abstract No. 16 showing the condition of State Bank and Trust Company members and of all member banks as at close of business on December 31, 1921. Consolidated figures for all member banks, both National and State, are shown on pages 1 and 12.

Please forward one copy of the abstract to each State Bank and Trust Company member in your district that has expressed a desire to receive copies of abstracts as issued.

Very truly yours,

E. L. Smead, Chief,
Division of Reports and Statistics.

Letter to all F. R. Agents.

FEDERAL RESERVE BOARD
WASHINGTON

March 22, 1922.
St.2675.

Dear Sir:

It will be appreciated if you will furnish the Board with fifteen (15) copies of the Annual Report covering operations of your bank for the calendar year 1921 as soon as practicable after they are received from the printer.

Very truly yours,

Walter L. Eddy
Assistant Secretary.

(All F. R. Agents, except Dallas.)

FEDERAL RESERVE BOARD

WASHINGTON

June 1, 1922.
St. 2809

SUBJECT: Quarterly Bank Premises Report.

Dear Sir:

There are attached hereto two new forms for use in furnishing the Board with quarterly information in regard to the status of bank building and remodeling operations. Form St. 2810 should be used in reporting the status of new building operations or of property purchased for the purpose of constructing a new building thereon, while Form St. 2810-a should be used in the case of buildings which have been or are to be remodeled. Reports on these forms should be submitted as of March 31, 1922, and at the end of each quarter thereafter, and should be accompanied with a brief statement summarizing developments in connection with building or remodeling operations during the current period. A report for the first quarter of the present year should be submitted covering each building or building site (including property sold), but thereafter reports need be prepared covering only buildings under construction or which are being remodeled.

While it is believed that the items appearing on the new forms are in the main self-explanatory, the following suggestions are offered in order that reports from all Federal Reserve Banks and Branches may be prepared, so far as practicable, on a uniform basis.

The original cost of land, including buildings if any, (item 1) should represent the amount paid to the vendor. Incidental expenses connected with purchase (item 2) should include such expenses as commissions, cost of title examination, fees and taxes for recordation, legal expenses, surveys, etc.

Preliminary expenditures in connection with new building operations should include testing, surveying, cost of preliminary building plans, consultation expenses and traveling expenses incident to preliminary planning, and other similar expenses, including the satisfaction of unexpired leases, not chargeable to construction costs.

Cost of vaults should represent the actual construction cost of the vault, exclusive of the cost of the vault door, vault linings and movable equipment inside the vault. In case the walls of the

vault are integral with the walls of the building or the latter are reinforced as an added vault protection, the additional cost of the foundation of the building incident to the use thereof in connection with the vault should be considered as a part of the cost of the vault.

Fixed machinery and equipment for the purpose of this report should include all large permanent units such as boilers, engines, dynamos, elevators, heating, lighting, and ventilating systems, pumps, hoisting apparatus, plumbing, wiring, etc.

Miscellaneous building construction or remodeling expenses incurred by Federal Reserve Bank should cover salaries paid to officers or employees of the bank in connection with the building, or any other office expense such as travel, inspection, surveys and tests, all of which are made apart and aside from services performed under supervision of the architect or builder.

Fixtures of a permanent or semi-permanent nature, such as counters, cages, shelving, etc., should be considered as a part of the cost of the building as reported against item 8-a of Form St. 2810 and item 4-a of Form St. 2810-a, while furniture and equipment should be charged to Furniture and Equipment account on Form 34 and not enter into the cost of the buildings as reported on these forms.

In submitting the first report on the new forms, it will be appreciated if you will attach a detailed list enumerating the different kinds of machinery and equipment included in item 8-d of Form St. 2810 and item 4-d of Form St. 2810-a.

Very truly yours,

G o v e r n o r .

LETTER TO ALL F. R. AGENTS.

Federal Reserve Bank or Branch at _____.

Property located at (street location) _____.

(Separate report should be made for each Building)

NEW BUILDING OPERATIONS	Current Quarter	Total to date	Estimated cost to complete
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Building Site

1. Original cost of land, including buildings, if any	\$	\$	\$
2. Incidental expenditures connected with purchase			
3. Cost of wrecking old buildings			
4. Total (1 + 2 + 3)			
5. Less proceeds from sale of salvaged material			
6. Cost of building site			

New Building

7. Preliminary expenditures			
8. Cost of construction:			
(a) Building, exclusive of vaults and fixed machinery and equipment ..			
(b) Vault construction, including any additional structure or foundation made necessary by vault			
(c) Vault equipment, including doors, lining, and all interior equipment			
(d) Fixed machinery and equipment ..			
9. Miscellaneous building construction expenses incurred by Federal Reserve Bank			
10. Fees: (a) Architects			
(b) Engineers			
11. Cost of new building			
12. Cost of building and building site (6 + 11)			
13. Depreciation allowances charged off:			
(a) Charged to current net earnings			
(b) Charged to super-surplus			
(c) Total			
14. Book value of property (12 - 13c)			

MEMORANDA.

15. Reserves against depreciation (as shown on Form 34):			
(a) Charged to current net earnings		\$	
(b) Charged to super-surplus		\$	
(c) Total		\$	
16. Floor space:			
(a) Occupied by Federal Reserve Bank			Sq. Ft.
(b) Rented			Sq. Ft.
(c) Unoccupied			Sq. Ft.
(d) Total floor area in new building			Sq. Ft.

BANK PREMISES REPORT QUARTER ENDING _____, 192__.

Federal Reserve Bank or Branch at _____.

Property located at (street location) _____.

(Separate report should be made for each building.)

REMODELED BUILDING OPERATIONS	Current Quarter	Total to date	Estimated cost to complete
1. Original cost of land and building . . . \$		\$	\$
2. Incidental expenditures connected with purchase			
3. Total (1 + 2)			
4. Cost of remodeling:			
(a) Building, exclusive of vaults and fixed machinery and equip- ment			
(b) Vault construction, including any additional structure or foundation made necessary by vault			
(c) Vault equipment, including doors, lining, and all interior equip- ment			
(d) Fixed machinery and equipment . .			
5. Miscellaneous building remodeling ex- penses incurred by F. R. Bank			
6. Fees: (a) Architects			
(b) Engineers			
7. Total cost (3 to 6)			
8. Less proceeds from sale of salvaged material			
9. Cost of building and building site . .			
10. Depreciation allowances charged off:			
(a) Charged to current net earnings			
(b) Charged to super-surplus			
(c) Total			
11. Book value of property (9- 10c) . . .			

MEMORANDA

12. Reserves against depreciation (as shown on form 34):-		
(a) Charged to current net earnings	\$	
(b) Charged to super-surplus		
(c) Total		
13. Floor space:		
(a) Occupied by F. R. Bank		Sq. Ft.
(b) Rented		Sq. Ft.
(c) Unoccupied		Sq. Ft.
(d) Total floor area in remodeled building		Sq. Ft.

FEDERAL RESERVE BOARD

WASHINGTON

June 7, 1922.
St.2823.

SUBJECT: Senate Bill 3531.

Dear Sir:

Please furnish the Board with a statement, by mail or telegraph, to reach Washington not later than June 15, showing the following data for each state or portion of state in your district -

1. Number and paid-in capital of nonmember banks in cities of population of over 50,000 which have a paid-in capital stock of \$120,000 or over but less than \$200,000.
2. Number and paid-in capital of nonmember banks in cities of population of from 6,001 to 50,000 inclusive, which have a paid-in capital stock of \$60,000 or over but less than \$100,000.
3. Number and paid-in capital of nonmember banks in cities of population of from 3,001 to 6,000 inclusive, which have a paid-in capital stock of \$30,000 or over but less than \$50,000.
4. Number and paid-in capital of nonmember banks in cities of population of 3,000 or under which have a paid-in capital stock of \$15,000 or over but less than \$25,000.

The above information is desired in order to make available the number and paid-in capital stock of the four groups of banks in each state which, on the basis of capital requirements, would be made eligible for membership in the Federal Reserve System should Senate bill 3531, which is quoted below, become a law.

SENATE BILL 3531

To amend section 9 of the Federal Reserve Act.

BE IT ENACTED BY THE SENATE AND HOUSE OF REPRESENTATIVES OF THE UNITED STATES OF AMERICA IN CONGRESS ASSEMBLED, That paragraph 9 of section 9 of the Federal Reserve Act as amended is amended to read as follows:

"No applying bank shall be admitted to membership in a Federal reserve bank unless (a) it possesses a paid-up, unimpaired capital sufficient to entitle it to become a national banking association in the place where it is situated under the provisions of the National Bank Act, or (b) it possesses a paid-up, unimpaired capital of at least 60 per centum of the amount sufficient to entitle it to become a national banking association in the place where it is situated under the provisions of the National

- 2 -

Bank Act and, under such rules and regulations as the Federal Reserve Board may prescribe, it sets aside annually in a fund an amount not less than 20 per centum of its net income for the preceding year and it increases its capital from such fund from time to time until it possesses a paid-up and unimpaired capital not less than the capital which would have been required if such bank had been admitted to membership under the provisions of subdivision (a) of this paragraph."

Very truly yours,

Secretary.

Letter sent to all F. R. Agents except Minneapolis, Kansas City, Dallas and San Francisco.

FEDERAL RESERVE BOARD

WASHINGTON

June 17, 1922.
St. 2842.

SUBJECT: Record of Federal Reserve
Bank Discount Rates,
1914 - 1921.

Dear Sir:

For your information there are enclosed herewith two copies of a pamphlet which has just been printed giving the record of all changes in discount rates of the Federal reserve banks from the time of their inauguration in November 1914 to the end of December 1921.

The Board has a small supply of these pamphlets, and if desired, a limited number in addition to the enclosed copies will be furnished upon request.

Very truly yours,

Wm. W. Hoxton,
Secretary.

Enclosure.

Letter sent to Chairman and to Governor
at each Federal Reserve Bank.

FEDERAL RESERVE BOARD
WASHINGTON

June 28, 1922.
St. 2862.

SUBJECT: Condition Reports of State Bank
and Trust Company Members, Form 105.

Dear Sir:

There are being forwarded to you today under separate cover by special delivery copies of Form 105 revised as of February 15, 1922. Please mail three copies of the form to each state bank and trust company member in your district with instructions to hold the blank forms pending receipt of a call for condition reports, when they should be promptly filled out and two copies mailed to you - in no case later than 10 days after receipt of the call.

In order that the compilation of the Board's abstract showing the condition of all state bank and trust company members combined as of the date of the next call may not be unduly delayed, it will be appreciated if the reports are forwarded to the Board as soon as practicable after they are received by the F. R. bank. Special effort should be made to see that all the reports reach the Board within 20 days after date of call.

Very truly yours,

Walter L. Eddy,
Assistant Secretary.

Letter sent to each F. R. Agent.

FEDERAL RESERVE BOARD

WASHINGTON

June 29, 1922.
St.2863.

SUBJECT: Earnings and Dividends reports
of State Bank and Trust Company
members as of June 30, 1922.

Dear Sir:

There are being forwarded to you today under separate cover by registered mail copies of form 107 for use of State bank and Trust company members in submitting their semi-annual reports of earnings and dividends.

Please advise the banks that the report is to cover the six-month period ending June 30, 1922, irrespective of whether or not they may have closed their books on that date, or whether any dividends that may have been declared cover that particular period.

The report should be submitted to you in duplicate within ten days after receipt of the blank forms by reporting banks.

Kindly acknowledge receipt.

Very truly yours,

Walter L. Eddy,
Assistant Secretary.

Letter to each F. R. Agent.

FEDERAL RESERVE BOARD

WASHINGTON

June 28, 1922.
St. 2866.

SUBJECT: Outline of Federal Reserve
Branch Banks.

Dear Sir:

There are being forwarded to you today, under separate cover, copies of the Outline of Federal Reserve Branch Banks, covering their powers and functions, revised as of January 1, 1922. The outline is based on information furnished in response to the Board's letter St. 2410 dated November 16, 1921, and on regular and special reports received from the Federal reserve banks and branches.

It is desired to keep the data on pages 1 to 8 current at all times, and it is therefore requested that the Board's attention be called to any alterations or revisions that may become necessary in the present outline due to changes in the functions performed by branches of your bank, if any.

Very truly yours,

Walter L. Eddy,
Assistant Secretary.

Enclosures.

Letter sent to each Federal Reserve Agent.

FEDERAL RESERVE BOARD
WASHINGTON

April 5, 1922.
St. 2710.

SUBJECT: Charts showing movement of
assets and liabilities of
Federal Reserve Banks, etc.

Dear Sir:

There are being forwarded to you today under separate cover two copies each of the following charts:

1. Movement of earning assets of all Federal Reserve Banks, 1921 and 1922.
2. Debits to Individual Accounts at Banks in Reporting Clearing House Centers, 1921 and 1922.
3. Deposits, Federal Reserve note circulation, Cash Reserves and Reserve Ratio of all Federal Reserve Banks, 1921 and 1922.
4. Movement of Loans and Investments, Deposits and Federal Reserve Bank Accommodation of all Reporting Member Banks, 1921 and 1922.
5. Federal Reserve Banking Developments, 1917-1923.

One of the sets is intended for your use and the other for the use of the Governor. One set, containing the five charts, is being mailed to the Manager of each Federal Reserve Branch Bank.

All the information required to continue the several curves for the remainder of the present calendar year will be obtainable from the Board's regular weekly published statements.

Very truly yours,

Walter L. Eddy,
Assistant Secretary.

(Letter sent to each F. R. Agent

FEDERAL RESERVE BOARD
WASHINGTON

May 23, 1922.
St. 2792.

SUBJECT: Abstract of Condition Reports
of State Bank and Trust Company
Members and of all Member Banks
as of March 10, 1922.

Dear Sir:

We are forwarding to you under separate cover
copies of the Board's Abstract No. 17 showing the
condition of State Bank and Trust Company members and of
all member banks as at close of business on March 10,
1922. Consolidated figures for all member banks, both
National and State, are shown on pages 1 and 12.

Please forward one copy of the abstract to each
State Bank and Trust Company member in your district that
has expressed a desire to receive copies of abstracts as
issued.

Very truly yours,

E. L. Smead, Chief,
Division of Bank Operations.

Letter to all F. R. Agents.