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TABLE OF CONTENTS.

FEDERAL RESERVE BULLETIN

VOL. 4 JULY 1, 1918. No. 7

REVIEW OF THE MONTH.

Resignation of Mr. Delano.

Late in June Mr. F. A. Delano, member of the Federal Reserve Board since its organization, addressed the President, asking that he be released from the obligation to serve on the Federal Reserve Board in order that he might accept service with the American forces operating in France as an officer of the United States Army Engineer Corps engaged in the construction and operation of military railways. The President has granted Mr. Delano's request, and his resignation will become effective upon acceptance of his commission in the Army.

For the period of practically four years since its organization the membership of the Federal Reserve Board has been intact, and Mr. Delano's retirement constitutes the first change. The following entry in the minutes of the Board, voted upon the announcement of his retirement, expresses the feelings of his fellow members:

"The Board has heard with extreme regret of the proposed resignation of Mr. F. A. Delano. It desires to record its appreciation of Mr. Delano's able and faithful service as a member of the Federal Reserve Board and of those high personal qualities which have made his relation to his colleagues one of unusual mutual confidence and regard. Mr. Delano has served two years as vice governor of the Board and for nearly two years additional as member. During this period of almost four years the Federal Reserve system has attained its growth, while the banking and financial problems of the Nation, in whose solution the Federal Reserve system has necessarily had a large part, have been of unprecedented seriousness. Mr. Delano's contribution to the effective organization of the system and to the successful solution of its problems can not be overestimated. His departure will be a serious loss to the system and a source of extreme personal regret to his colleagues."

The banks and the loan.

Sufficient time has now elapsed since the official conclusion of the third Liberty loan to make it certain that the offering has been placed with comparatively little reliance upon the banks and that the banking situation has been affected by it to an unexpectedly slight extent. Reserves at Federal Reserve Banks have continued to show great strength during the period since the conclusion of the loan. Some shifting of funds between Federal Reserve Banks was rendered necessary by the fact that tax-paying certificates had been purchased in varying proportions in the several districts, and when used for the settlement of obligations to the Government necessitated a redistribution of funds. This tax settlement, involving an aggregate payment of between two and three billions of dollars, had been generally looked forward to with serious apprehension. It was predicted that the liquidation of the tax payments would cause a considerable stringency in the money market. The necessary transactions were, however, carried through without the slightest disturbance of normal business and banking conditions, a result which was rendered possible only by reason of the mechanism of the Federal Reserve system and the measures taken in advance by the Treasury for the purpose of facilitating and expediting the return to the market of the sums that had been paid in. The effects of the operation are probably not as yet fully complete, but the reserve percentages reported for June 28 show approximately the true position of the system and were as follows:

Boston	66.2	St. Louis	50.3
New York	60.9	Minneapolis	48.8
Philadelphia	66.1	Kansas City	53.5
Cleveland	72.7	Dallas	51.2
Richmond	50.6	San Francisco	69.4
Atlanta	66.9		
Chicago	61.7	Total	61.7

Final figures showing the methods adopted for settling for the third Liberty loan in cash and bank credit give the following results:

Liberty loan payments to and including May 28.

Federal Reserve Bank.	Cash.	Credit.	Certificates.	Total.
Treasury United States			$11,895,000	$11,895,000
Boston	$39,486,000	$168,702,313	61,499,500	269,688,000
New York	107,618,168	625,952,779	186,350,000	919,920,448
Philadelphia	80,912,000	122,455,000	63,378,000	266,745,000
Cleveland	92,112,799	114,825,210	104,126,500	311,064,510
Richmond	51,530,519	54,664,413	21,712,500	127,907,432
Atlanta	37,174,158	57,307,621	12,371,500	106,753,280
Chicago	180,816,227	125,508,650	161,046,000	467,370,877
St. Louis	47,393,578	75,023,641	53,120,500	175,537,719
Minneapolis	60,415,689	32,325,298	31,958,000	124,698,987
Kansas City	75,763,727	39,321,000	47,536,600	162,621,327
Dallas	22,259,184	37,482,187	13,459,000	73,200,372
San Francisco	83,383,500	56,301,000	54,879,500	194,564,000
Total	878,865,549	1,509,869,112	823,332,600	3,211,967,452

The success from the standpoint of the absorption and distribution of the securities, as shown by the enormous number of subscribers to the issue, augurs well for the coming financing of the Government during the first half of the fiscal year 1919 now opening. Figures for rediscounts of 90-day Liberty-loan paper at the close of June show a total of only 125 millions in all, of which 25 millions was held by Boston, 55 millions by New York, and 21 millions by Philadelphia.

New Treasury financing.

The Secretary of the Treasury, under date of June 12, has sent to the president of each bank and trust company in the United States a letter in which he outlines the plans for the new Treasury financing intended to supply the needs of the Government during the next few months. The expenditures of the Government, as nearly as can be estimated, will require the sale of certificates of indebtedness up to the 1st of November, 1918, aggregating approximately $6,000,000,000. This would involve the issue every two weeks of about $750,000,000 of certificates substantially similar in character to those issued prior to the third Liberty loan, except that they will have various maturities not exceeding four months. For the months of July and August this program will be followed as nearly as possible. The first issue of the certificates bore the date of June 25 and mature October 25, with interest at 4½ per cent, and similar issues, it is expected, will be made on Tuesday of every other week following June 25. It is, however, contemplated that at a convenient and favorable period during the summer an offering will be made to the general public directly, and through the banks, of an amount yet to be determined, perhaps $2,000,000,000, of certificates of suitable maturities for use by taxpayers in paying next year's taxes, viz, taxes payable June, 1919, levied under existing and pending legislation. To the extent that certificates of that character are sold, substantially an equivalent reduction in the amount of the regular fortnightly sale of certificates issued in anticipation of the next Liberty loan will be effected.

Sale of certificates.

In giving this advice of the estimated requirements of the Treasury to all the banks of the country and, through them, to those who expect to make payment of taxes in 1919, it is hoped that they will make arrangements promptly of such a character as to enable them to contribute their proper proportion to the sale and distribution of Treasury certificates of both issues. The Federal Reserve Banks will advise all national and State banks in their respective districts of the amount of certificates which they are expected to take from time to time in pursuance of this program, which amount can be figured as roughly to equal 2½ per cent of the gross resources of each bank and trust company for every period of two weeks, or a total of 5 per cent monthly. It will be remembered that in the February program the amount which the banks were asked to take was substantially equal to 2 per cent of their gross resources for each period of two weeks, or a total of 4 per cent monthly. The total number of biweekly offerings of certificates to be made to the banks will somewhat depend upon the amount to be raised from the public through the sale of tax certificates as above described. The new plan of financing is thus practically parallel to that already applied during the past winter and spring, and it looks forward to the offering of a new or fourth Liberty loan whose amount and terms have not yet been indicated. The experience in placing the first issue shows that the banks are responding enthusiastically to the requirements of the situation and are arranging the placing of the new issue promptly and with cheerfulness.

The following is a list of the tentative quota, by districts, and a list of the subscriptions finally allotted:

	Tentative quota.	Subscriptions. allotted.
United States Treasury	....	$11,938,000
Boston	$68,000,000	64,590,000
New York	251,000,000	312,844,500
Philadelphia	53,000,000	53,000,000
Cleveland	68,000,000	80,000,000
Richmond	26,000,000	19,013,000
Atlanta	22,000,000	17,233,500
Chicago	105,000,000	131,481,500
St. Louis	30,000,000	34,654,000
Minneapolis	26,000,000	20,000,000
Kansas City	30,000,000	28,410,500
Dallas	18,000,000	18,481,500
San Francisco	53,000,000	48,000,000
	750,000,000	839,646,500

Needs of the Government.

The character and scope of the needs of the Government have been outlined in general terms by the Secretary of the Treasury in a letter to the chairman of the Ways and Means Committee, transmitted under date of June 12. In this letter he points out that the expenditures of the Government for March, 1917, were in round figures $100,000,000. In May, 1918, they were $1,508,195,000. If there should be no further increase during the coming fiscal year, the cash expenditures upon the May basis would be more than $18,000,000,000. If, as seems inevitable, the increase in expenditures should continue at the rate of $100,000,000 per month for the next six months, or until December, 1918, and if thereafter the monthly expenditures should remain stationary until June 30, 1919, the Treasury would have to finance expenditures aggregating $24,000,000,000 during the fiscal year ending June 30, 1919; or, to put it another way, if the average monthly expenditure should exceed that for the month of May, 1918, by 33⅓ per cent, it will be necessary to spend $24,000,000,000 in the fiscal year 1919. In the fiscal year ending June 30, 1918, cash disbursements amounted to between $12,500,000,000 and $13,000,000,000. Of this amount about one-third has been raised by taxes and two-thirds by loans, all of which will be represented by long-time obligations, that is, bonds of the first, second, and third Liberty loans and war savings certificates. With reference to the methods to be employed in meeting this heavy demand the Secretary of the Treasury says: "We can not wisely contemplate nearly doubling our cash disbursements in the fiscal year 1919 without providing additional revenue. We can not afford to rely upon $4,000,000,000 only from taxation, because we shall then have to rely on raising $20,000,000,000 by loans. This would be a surrender to the policy of high interest rates and inflation, with all the evil consequences which would flow inevitably therefrom, and which would, I firmly believe, bring ultimate disaster to the country. We can not afford to base our future financing upon the quicksands of inflation or unhealthy credit expansion. If we are to preserve the financial strength of the Nation, we must do sound and safe things, no matter whether they hurt our pockets or involve sacrifices—sacrifices of a relatively insignificant sort as compared with the sacrifices our soldiers and sailors are making to save the life of the Nation. The sound thing to do is unquestionably to increase taxation, and the increases should be determined upon promptly and made effective at the earliest possible moment." The conclusion which the Secretary reaches is that it will be necessary practically to double the present Federal taxation, thereby raising it to approximately $8,000,000,000. In order to provide this sum it is suggested that resort be had to a high war profits tax superimposed upon the existing excess profits tax and a substantial increase on the normal income tax upon so-called unearned income. A general suggestion in favor of heavy taxation upon all luxuries is added. Mr. McAdoo's letter, which constitutes an important outline of Treasury policy for the coming year, is reprinted elsewhere in the present issue of the BULLETIN.

Demands for funds.

During the past two weeks the demands of member banks in various districts for accommodation on Federal Reserve Banks have been unusually heavy. This has been largely the outcome of excellent business conditions and strong demand on the part of customers of banks for the means with which to finance normal industrial operations. In some districts agricultural demands have been very large, while in others the industrial requirements due to the Government's manufacturing activity have likewise been extensive. The reports of business conditions from various parts of the country, published in this issue of the BULLETIN, show clearly the nature and scope of the commercial, agricultural, and industrial movement.

One symptom of this strength of demand is furnished by the exceptional calls made upon the Federal Reserve Banks in certain districts where essential agricultural industries are reaching the peak of their activity. In such districts reserves have fallen more than in other districts, and it has consequently been desirable to employ the rediscount machinery for equalizing resources provided by the Federal Reserve Banks. During the month of June three such redistributions of resources affecting investments and reserves of eight Federal Reserve Banks were made through the transfer of short-term paper. The mechanism of rediscounting between Federal Reserve Banks is now a familiar and smoothly working part of the Federal Reserve system. In the statistical reports of the Board from time to time data with respect to these operations were included with other discounts and open-market operations. These data are summarized and recapitulated here as a matter of current interest. To date the total of such operations for the current year has been as follows:

Discounted bills rediscounted with and acceptances sold to other Federal Reserve Banks Jan. 1 to June 30, 1918.

[In thousands of dollars.]

Rediscounted or sold by the Federal Reserve Bank of—	Discounted bills rediscounted.	Acceptances sold.	Total.
Boston		18,936	18,936
New York		75,816	75,816
Richmond	21,028	32,830	53,858
Kansas City	8,530		8,530
Dallas	5,003	2,995	7,998
Total	34,561	130,577	165,138

From the foregoing statement it is seen that the total amount of rediscounting which has thus far been resorted to constitutes only a small part of the total resources of the Federal Reserve Banks. It, however, affords precisely the same element of readjustment or equalization which has been necessary in order to furnish the resources that were needed in the various districts where the demands for loans were most active. It is interesting to note that in many cases the flow of money from one part of the country to another generally reverses itself, so that Federal Reserve Banks that appear as applicants for rediscounts frequently appear after a short time as takers of rediscounted paper from other Federal Reserve Banks. In times past, prior to the organization of the Federal Reserve system, a measure of relief was provided in part through the transfer of actual currency or money and gave rise to the annual stringency which prevailed in different parts of the country from early summer to late autumn—a series of weeks sometimes referred to as the "crop-moving period." A form of accommodation which is rendering this old method of interbank discount more and more nearly obsolete is now provided through the note issue of the Federal Reserve Banks and transfers made by means of the Federal Reserve gold-settlement fund, whose operation is proving with each successive year more and more successful in avoiding the shipment of actual money between different parts of the country.

Daily gold-settlement plan.

The operation of the gold-settlement fund has so greatly extended its scope that the Board has directed Federal Reserve Banks to put into effect on July 1 a daily gold-clearing system. This merely substitutes a daily for a weekly settlement, such as has been employed in the past. It is not expected that the change will bring about any definite alteration in the relationship of the banks except that of increasing the convenience and speed of their dealings with one another. Without a full understanding of the plan daily telegraphic transfers might at first seem to temporarily prejudice the reserves of some of the Federal Reserve Banks. As a matter of fact, however, the effect will be exactly as at present. The plan will eliminate a great deal of work at the Federal Reserve Banks, and through the daily, instead of weekly, settlement will provide the proper adjustments in the holdings of gold to the credit of each Federal Reserve Bank in the gold-settlement fund in as nearly automatic a way as possible. At the present time the Federal Reserve Banks, in addition to the weekly settlement, have the privilege of demanding transfers at any time when a net debit balance is shown in account with other Federal Reserve Banks. It must be expected that if the present plan of weekly settlements were to be maintained, such transfers would become more numerous in the future, as the calls upon the Federal Reserve Banks become heavier. The proposed plan will do away with the greater part of such transfers, and will release, for the strengthening of their reserves, the funds now carried as "amounts due from other Federal Reserve Banks." At the present time practically all the Federal Reserve Banks are advising each other by wire of their daily credits of immediately available city items. While good to a limited extent, this plan covers but a small proportion of the credits, and hence the need for a daily settlement. In order to render the work of the gold-settlement fund more effective, as well as to make all communication between the banks and the Board prompter and more certain, a private wire service has been established between Washington and the various Federal Reserve Banks as well as between the banks themselves. This service is now in satisfactory operation.

Operations of the Reserve Banks.

Comparative weekly figures of principal earning assets for the period between May 24 and June 21 reflect to some extent the degree of assistance rendered by the Federal Reserve Banks to their members and through them to the industrial and commercial community in meeting the heavy tax demands of the Government. Judging from the moderate increases in total investments reported by the Federal Reserve Banks for the first two weeks in June and the very substantial decrease shown for the last week under review, member banks were able to take care of the financial situation without casting an undue burden upon the resources of their Federal Reserve Banks.

Between May 24 and June 14, the Federal Reserve Banks increased their holdings of discounted paper from 923.3 to 1,016 millions and their total investments from 1,277.2 to 1,333.4 millions, the larger figure being about 40 millions below the record total for May 10, the Friday following the closing of the third Liberty loan.

By June 21, total investments of the banks had fallen off to 1,240.6 millions and discounts to 931.3 millions. For the New York bank a similar development is shown, its discounts showing substantial increases for the first two weeks in June and a considerable decline at the end of the third week, the total discounts held by the bank on June 21—383.3 millions—being 58.9 millions below the corresponding total four weeks earlier. The banks at Philadelphia, Chicago, St. Louis, and Minneapolis report a practically unchecked increase in discount operations, tempered somewhat by liquidation of acceptances. War loan paper, i. e., members' collateral notes and customers' paper, protected by United States war bonds and Treasury certificates, constituted 58.4 per cent of the

67747—18——2

total discounts held on June 21, as against 65 per cent on May 24, the Government having redeemed over one billion of 4½ per cent certificates on May 28 and June 18. At the New York bank this proportion shows a decline for the same period from 86 to about 80 per cent.

Acceptances on hand show a steady decline from 278.2 to 232.5 millions, the New York bank reporting about 53 per cent of the total holdings of this class of paper on June 21 as against 52 per cent on May 31. But little change is shown in the total of United States securities owned. These holdings are composed chiefly of United States bonds with the circulation privilege, 3 per cent conversion bonds, and 1-year Treasury notes, the banks holding at present but limited amounts of Liberty bonds or Treasury certificates.

During the period under review the banks' gold reserves increased from 1,898 to 1,924.4 millions, while their net deposits show a decline from 1,557.6 to 1,445.4 millions. Federal Reserve notes in circulation show a continuous increase by nearly 100 millions from 1,578.6 to 1,678 millions. The ratio of total cash reserves to aggregate net deposit and Federal Reserve note liabilities shows a rise from 62.4 to 63.4 per cent.

In the following table are shown the changes between May 24 and June 21, 1918, in the totals of discounted and purchased bills held by each of the Federal Reserve Banks, also changes between the two dates in the holdings of other classes of investments.

[In thousands of dollars; i. e., 000's omitted.]

Federal Reserve Bank.	May 24.	June 21.	Net increase.	Net decrease.
Boston	63,591	66,180	2,589	
New York	581,158	506,761		74,397
Philadelphia	64,128	74,959	10,831	
Cleveland	64,845	66,804	1,959	
Richmond	48,552	56,643	8,091	
Atlanta	28,383	30,519	2,136	
Chicago	121,782	134,597	12,815	
St. Louis	37,769	50,132	12,363	
Minneapolis	28,796	35,116	6,320	
Kansas City	73,023	56,862		16,161
Dallas	28,930	29,922	992	
San Francisco	60,563	55,247		5,316
Total	1,201,520	1,163,742		37,778
United States long-term securities	42,067	40,877		1,190
United States short-term securities	32,476	35,883	3,407	
Other earning assets	1,151	100		1,051
Total investments held	1,277,214	1,240,602		36,612

Condition of member banks.

Reports from member banks in about 100 leading cities, showing principal assets and liabilities each week between May 17 and June 14, indicate large withdrawals of Government deposits and considerable liquidation of Government securities, largely Treasury certificates. Increases in aggregate net demand deposits and in other loans and investments were on a smaller scale, while reserves show a more than corresponding increase. As the result of these developments the reserve position of the reporting banks shows a material improvement.

Treasury certificates held by all reporting member banks decreased from 1,153 to 945.2 millions, the largest decrease being shown for May 31, the Friday following the redemption by the Government of 500 millions of certificates of the February 27 issue. United States bonds, other than circulation bonds, on hand, declined from 635.7 to 586.7 millions, the banks apparently having placed approximately this amount of Liberty bonds with their customers during the four weeks under review. As against these substantial decreases the banks report an increase from 501.6 to 518.4 millions in loans secured by Liberty bonds and Treasury certificates.

Corresponding figures for member banks in central reserve city banks indicate decreases of 150.2 millions in Treasury certificates and of about 24 millions in United States bonds, largely Liberty bonds, as against practically no increase in loans secured by United States war obligations. For the member banks in Greater New York, liquidation of 28 millions of Liberty bonds, of 128 millions of certificates, also of 3.5 of loans supported by these securities is shown.

Aggregate holdings of United States securities (exclusive of circulation bonds) and of loans supported by United States war securities decreased for the four weeks from 2,290.3 to 2,050.3 millions. During the same period the central reserve city banks show a reduction of these items from 1,475.8 to 1,301.4 millions and the New York banks alone a reduction from 1,324.9 to 1,165.2 millions.

Loans and investments of all reporting banks exclusive of permanent investments, show a decline from 12,608.7 to 12,506.2 millions, while the share of United States war obligations and loans supported by such obligations in the totals just given declined from 18.2 to 16.4 per cent. For the central reserve city banks this percentage shows a decline from 23.4 to 20.6 per cent and for the Greater New York banks a decline from 26.2 to 23.1 per cent.

For the four weeks under review Government deposits of all reporting banks show a decline from 1,284.1 to 868.3 millions, time deposits a decrease from 1,386.7 to 1,323.4 millions, and net demand deposits a gain from 8,922.6 to 9,247 millions. Total net, including Government deposits, on June 14 stood at 10,506.7 millions, or 110.5 millions less than on May 17. Net withdrawals of Government deposits from central reserve city banks for the same period aggregated 294.4 millions, aside from a loss of 10.8 millions in time deposits. These losses are only partly compensated by a gain of 251.2 millions in net demand deposits. For the New York City banks net withdrawals of 247.7 millions of Government deposits and of 9 millions of time deposits as against a gain of 202.7 millions in net demand deposits are noted.

Reserves of all reporting banks (all with the Federal Reserve Banks) increased from 1,148.1 to 1,226.3 millions while cash in vault declined from 373.1 to 353.9 millions.

As the result of the considerable decrease in deposits, the ratio of combined reserve and vault cash to net, including Government deposits of all reporting banks, shows an increase from 14.3 per cent on May 17 to 15 per cent on June 14. For the central reserve city banks a rise of this ratio from 14.9 to 16.0 per cent is noted. Figures of excess reserves, in the calculation of which no account is taken of Government deposits, indicate a downward trend to the end of May, the decline from 88.3 on May 17 to 49.6 millions on May 31, fairly corresponding to the decrease in total reserves carried with the Federal Reserve Banks. During June an upward trend set in which carried the excess reserves of all reporting banks to 129.2 millions on June 14. For the banks in central reserve cities a decrease of excess reserves from 49.2 millions on May 17 to 28.6 millions on the last of May is noted, followed by an increase to 75.8 millions on June 14.

Even more marked changes are seen in the excess reserves of member banks in other reserve cities, which, after a decline from 36.8 millions on May 17 to 19.6 millions at the close of the month, increased to 49.7 millions on June 14, the banks in the Cleveland district showing the largest aggregate gain.

Dividends and surplus profits.

Gross earnings, partly estimated, of the Federal Reserve Banks for the first six months of the present year were $24,850,000, while current expenses for the same period aggregated $4,040,000; the total estimated net earnings for the first half of the year are therefore $20,810,000. All of the banks were able to declare dividends to cover periods up to June 30 of the present year. Six of the banks declared dividends for the 6-month period ending June; four banks for the 12-month period ending June; and two banks for the 18-month period ending June. None are now in arrears with their dividend payments. The total amount of dividends due and payable is about $3,180,000. Deducting this amount, as well as an additional amount of $644,000 reserved for depreciation on securities from the total estimated net earnings for the six months, there remains a balance to be carried to profit and loss of over $17,000,000—an amount which may be somewhat reduced through additional charges to profit and loss on account of Federal Reserve currency issued during the period, furniture and equipment, and bank premises. This $17,000,000 is about 25 per cent of the average paid-in capital of the Federal Reseve Banks for the six months of the present year. At the present rate of growth combined excess profits for all banks, after payment of the 6 per cent dividends, may easily reach 50 per cent of the paid-in capital at the close of the present calendar year. Only one-half of these excess profits, according to section 7, is carried by the banks to surplus account, the other half going to the United States as a franchise tax. After the surplus of any bank has reached 40 per cent of its paid-in capital, all of the excess profits must be paid to the United States.

Considerable differences, of course, exist between Federal Reserve Banks in respect to the proportion of excess profits to capital, so that in individual cases it may not be true even with earnings accumulating at their present rate, that the 50 per cent level will be reached. In the future, with all arrears in dividends paid and a surplus of 40 per cent to paid-in capital set up, the Government will receive as a franchise tax from the banks all the excess of their combined net earnings above 6 per cent on the paid-in capital stock.

Foreign exchange developments.

The most important development during the month of June in connection with the control of foreign exchange has been the appointment by the Government of Italy of a representative in New York of its institute of exchange through which all of its foreign transactions have to pass and which stands ready to buy and sell Italian exchange. The Treasury Department has made an arrangement with the Italian Government under which certain transactions in lire must be approved by the New York representative of the Italian institute and the Division of Foreign Exchange of the Federal Reserve Board. As a beginning, such transactions are only to affect bills of exchange involving imports and exports between the United States and Italy. These represent funds which American bankers may wish to dispose of to the institute. Exchange transactions with the institute for the time being are to be handled through the regular banking channels. For the present no further restrictions have been placed upon trading in lire, and dealers may buy and sell as in the past, except that cable transfers can not be sold under the rate established by the Division of Foreign Exchange from time to time. The Federal Reserve Board, of course, does not guarantee a continuance of the Italian institute in the market for the purchase of lire, nor does it guarantee any transactions which American dealers may undertake under the new arrangement. Its functions in assisting in this matter are simply advisory.

The Secretary of the Treasury in a letter to the Senate, in reply to an inquiry put before him with respect to foreign exchange, states the situation as to other negotiations with respect to exchange arrangements as follows: "Agreements have been made with certain neutral countries in Europe and with countries in South America and elsewhere involving financial considerations and tending to protect the value of the American dollar. Agreements involving like considerations are in process of negotiation in other countries and in certain neutral countries steps have been taken to provide for payments required therein preliminary to the institution of negotiations. The amount of balances of neutral nations held by banks, trust companies, and bankers in the United States can probably be ascertained and stated with approximate accuracy as of about May 13, 1918."

Gold embargo regulations.

In the FEDERAL RESERVE BULLETIN for June there was published a revised draft of the administrative regulations relating to coin, bullion, and currency as then actually applied in practice under the direction of the Federal Reserve Board. During the month of June new regulations have been promulgated by the Board as approved by the Secretary of the Treasury. The most important addition to the modified practice already in force as outlined in the June BULLETIN is the statement with reference to the present policy with respect to controlling exports of gold. Under the old regulations the fundamental test to be applied to a given application was said to be found in the question whether a given shipment of gold could be definitely connected with a specified shipment of merchandise. As the policy has advanced, this idea has been modified, and the real and decisive question in most cases now is not whether payment has to be made for merchandise, but whether the merchandise in question is desired from the standpoint of national interest, and whether, if so, it can or can not be paid for by some other means than the shipment of gold. The new regulations state, with reference to this question, that "It is the practice of the Board not to authorize the exportation of gold except in cases where the desirability of permitting such shipment is clearly established as being compatible with the national interest. In reaching its conclusions, however, the Board will consider all attending circumstances in each particular case." This action practically places the question of gold shipments upon an individual footing, each case being considered on its own merits.

Resumption of gold imports on a considerable scale is indicated by the weekly reports of gold movements received from collectors of customs for the four weeks ending June 14. The net movement in favor of the United States for this period was $19,410,000, as compared with a net outward movement of $509,000 for the preceding four weeks. Gold imports for the four weeks totaling $23,044,000 came largely from Canada, Mexico, and Salvador, while gold exports totaling $3,634,000 were consigned chiefly to Mexico, Colombia, and Venezuela.

The gain in the country's stock of gold since August 1, 1914, was $1,066,078,000, as may be seen from the following exhibit:

[000 omitted.]

	Imports.	Exports.	Excess of imports over exports.
Aug. 1 to Dec. 31, 1914	$23,253	$104,972	[1] $81,719
Jan. 1 to Dec. 31, 1915	451,955	31,426	420,529
Jan. 1 to Dec. 31, 1917	553,713	372,171	181,542
Jan. 1 to June 14, 1918	35,818	20,044	15,774
Total	1,750,484	684,406	1,066,078

[1] Excess of exports over imports.

Field for acceptances.

The discussion of the trade acceptance situation is now in active progress and various inquiries relating to the question have been brought from time to time to the attention of the Board. No official rulings or expressions on the subject have recently been issued, but several points of significance have been made clear in informal replies to inquiries. The Board has stated its opinion that the trade-acceptance question is to be developed on the basis of business experience after careful and sympathetic study of the requirements and characteristics of each trade. Members have taken the view that it would be unreasonable to urge the use of the trade acceptance in every business without exception. On this point, Mr. Paul M. Warburg says: "Personally, I have championed the trade acceptance for many years, and have expressed my views many times by word of mouth and in writing. That does not necessarily mean, however, that I am one of those who believe that the trade acceptance is suitable for every trade. If I could sell my goods for cash, without allowing a discount, I would be foolish to make any effort to secure trade acceptances in lieu of cash. If, however, as a seller I had to make a very considerable sacrifice in order to secure cash, or if I had to sell on long-term book credit, I would very carefully consider the many advantages of introducing the use of the trade acceptance into my business."

Governor Harding, in an address recently delivered before a conference representing the American Cotton Manufacturers' Association, expressed his view with respect to the financing of cotton by means of acceptances. He favored the use of the bankers' acceptance in order that the southern cotton planter may be assured of the continuance of his cash market by giving him a type of paper which he can dispose of without delay because it represents the direct obligation of a bank. Elsewhere in this issue are printed extracts from an address delivered by Mr. Warburg before the National Trade Acceptance Conference in Chicago on June 18 and from the address of Mr. Harding already referred to.

Guaranty of deposits.

The following resolutions relating to guaranty of bank deposits were adopted at a meeting of the Federal Reserve Board, held on June 25, 1918:

Whereas it is important that nothing should impede the unification of the banking system of the country under the

Federal Reserve Act, to which the President called attention in his statement of October 13, 1917:

"The Federal Reserve Act is the only constructive financial legislation which we have ever had which was broad enough to accommodate at the same time banks operating under powers granted by the General Government and banks whose charters are granted by the respective States. The unification of our banking system and the complete mobilization of reserves are among the fundamental principles of the act."

Whereas such unification is threatened by the proposed plan for the guaranty of deposits in national banks:

(1) Because it would tend to stimulate a spirit of competition and antagonism between State-bank systems and the national banking system;

(2) Because of the difficult and embarrassing situation in which such State banks, which, owing either to insufficient capitalization or to existing contractual or trust obligations, could not convert into national banks would be placed;

(3) Because of the agitation which would be produced in many States to secure local legislation for the guaranty of deposits in State banks, thus destroying the harmony now happily developing and almost established between State and national bank systems, as evidenced by the increasing number of State member banks in the Federal Reserve system and the cordial cooperation which many States are giving to the policy of the Federal Reserve Board in seeking to bring about a unification of the American banking system under the Federal Reserve Act.

Whereas there is no sufficient evidence to establish that there are great sums of currency and specie now in hiding which would be drawn out and deposited in national banks were such deposits guaranteed beyond what is already being accomplished by the postal savings system and the war savings stamp associations;

Whereas in the judgment of the Board no plan of insurance, either applied to bank deposits or to any other form of credit or property, is sound or can long be successfully maintained where a uniform premium is assessed upon all participants, good or bad alike, or equitable unless the insurance privilege be extended to all member banks at their election;

Whereas the extension of the principle of insurance to bank deposits raises large and most difficult questions of general governmental policy which ought to be decided only after the most mature consideration;

Whereas, the Government could not safely and wisely undertake the guaranty of bank deposits without exercising a degree of control over banking loans and investments, which would, in effect, amount to the Government guaranty of such loans and investments, and thus bring banking credit under the complete control of the Government;

Whereas the hardships now suffered by depositors of insolvent banks could be materially lessened by the establishment of a fund for the prompt liquidation of the valuable assets of failed banks: Therefore

Be it resolved, That the Board deprecates the injection into the banking situation at this time of the bitterly controverted question of guaranty of bank deposits as prejudicial to the development of the Federal Reserve system and as menacing to the successful financial conduct of the war, because of the agitation of mind produced in the business and banking community;

Be it further resolved, That it is the judgment of the Board that a fund, under the administration of the Federal Reserve banks, might well be set up to provide and insure immediate determination of the value of the assets of failed member banks of the Federal Reserve system and an immediate distribution of the estimated value of such assets among depositors, pending their final liquidation; this to the end that the hardship and injury now sustained by depositors of failed banks, because of the delays to which they are subjected in receiving their pro rata of the assets of failed banks, may be reduced to a minimum.

In casting his vote in favor of this resolution Governor Harding stated that while he had always been opposed to a Government guaranty of deposits made applicable by compulsion to all national banks and had so expressed himself, he had had, prior to June 5, several brief and informal conversations with the Comptroller of the Currency regarding certain features of a guaranty system, including a voluntary plan, which warranted the Comptroller in including him in the "majority of the board" to which reference was made in the circular letter of that date issued by the Comptroller, but after a careful and deliberate consideration of the whole proposal he had reached a definite conclusion as expressed in the foregoing resolutions.

Branches of Federal Reserve Banks.

JACKSONVILLE.

On June 25 the Federal Reserve Board issued the following:

The Federal Reserve Board to-day announced the organization of the new branch at Jacksonville, Fla. The directors named by the Board will be Mr. J. C. Cooper, chairman; Mr. Fulton Saussy. Mr. Cooper is a well known attorney and Mr. Saussy a merchant of much experience in business administration. The directors named by the Atlanta Federal Reserve Bank for the Jacksonville branch are: Mr. E. V. Lane, president of the Atlantic National Bank at Jacksonville; Mr. B. H. Barnett, president of the Barnett National

Bank; and Mr. Giles L. Wilson, vice president of the Florida National Bank. Mr. George R. De Saussure will be manager of the branch. He is a man of large experience in banking, having been a national bank examiner and at present vice president of the Barnett National Bank, which he is leaving to become manager of the new branch.

EL PASO.

The El Paso branch of the Federal Reserve Bank of Dallas, the establishment of which was authorized by the Federal Reserve Board some time ago, was opened for business on June 17, with Sam R. Lawder as manager.

BIRMINGHAM.

The Federal Reserve Board on June 22 announced the directors of the Birmingham branch of the Federal Reserve Bank of Atlanta, as follows: Appointed by the Board, W. H. Kettig, chairman; Oscar Wells. Appointed by the bank, T. O. Smith, W. W. Crawford, John H. Frye. Mr. Alex E. Walker will be manager of the branch.

MEMPHIS.

The following press statement was issued on June 25:

The Federal Reserve Board to-day voted to authorize the establishment of a branch of the Federal Reserve Bank of St. Louis at Memphis, Tenn. The powers and functions of this branch have not yet been definitely determined, but will be announced at a later date.

Reclassification of Bank Clerks.

The following communication from Maj. Gen. E. H. Crowder, Provost Marshal General, was received by Gov. Harding, of the Federal Reserve Board, under date of July 5:

I beg to advise you that bank clerks are excepted from the operation of the regulations which provide for the withdrawal of deferred classification and order number of registrants found to be idlers or engaged in nonproductive occupations or employments.

Acceptances to 100 Per Cent.

Since the issue of the June BULLETIN the following banks have been granted authority by the Federal Reserve Board to accept drafts and bills of exchange up to 100 per cent of their capital and surplus:

American National Bank, Terrill, Tex.
Marine Bank & Trust Co., New Orleans, La.
Hibernia Bank & Trust Co., New Orleans, La.
Phoenix National Bank, Hartford, Conn.

Indexes of Business Conditions.

In the FEDERAL RESERVE BULLETIN for June it was announced that the Board would shortly undertake the establishment of a series of indexes of business conditions, for regular publication, in future numbers of the BULLETIN, such indexes to be compiled and presented for the purpose of affording data as nearly definite and authoritative as they can be made with reference to the progress of business, changes in economic conditions, and general alterations in the financial and banking situation. Preliminary to the initiation of this series of indexes, it is deemed desirable to furnish a general account of what is intended in this connection, both in order to assist in obtaining the cooperation of those whose aid must be enlisted in order to make the undertaking a success and also to furnish a more complete explanation of the scope and purpose of the new undertaking.

Preparatory work surveying and examining the various sources of information relative to the production and market supply of leading commodities was undertaken during the month with the view of selecting most typical and comprehensive indexes of industrial and financial conditions.

It is the intention the Board to use largely material gathered by other governmental, State, and municipal agencies, commercial organizations, and trade journals and to supplement the material thus obtained by information received through channels of its own, particularly the Federal Reserve Banks and agents, and also member banks.

Working arrangements have been effected with most of the Washington offices and services whereby all statistics of a periodical character not treated as confidential will be supplied to the Board for use in the preparation of its condensed reports. In this manner the market movements, including receipts, shipments, stocks in hand, and prices of leading commodities, will be made available. These data properly classified will be used for computing index numbers showing changes in the physical volume of trade, visible stocks, consumption, etc.

Under the head of indexes of business conditions the Board includes all statistics relative to production, consumption, transportation, and prices which may be regarded as affording definite indications of the character and trend of changes occurring from time to time in the economic organization of the country and in the activity exhibited by that organization. At present various collections of such data are made. They include compiled statistics covering the following topics, viz:

(*a*) Prices, both retail and wholesale, exhibited as actual series and also as index numbers, computed with reference to a specific base. Such prices are furnished by the Federal Government in the publications of the Bureau of Labor Statistics, while several index numbers are computed and issued from time to time by private investigators. The principal series of index numbers now available are Dun's, Bradstreet's, the Annalist's, Gibson's, and two forms of the series compiled by the Bureau of Labor Statistics. A complete scientific study of the various characteristics of these series of index numbers has been prepared by Prof. W. C. Mitchell and published by the United States Bureau of Labor Statistics (whole No. 173). Selective use will be made of this series of index numbers and particularly of the data published by the Bureau of Labor Statistics, with a view to correlating changes in prices with changes in the production and movement of commodities.

(*b*) *Reports of production.*—Many of the chief industries of the country issue, at intervals, statements showing the production and shipment of their output at varying intervals. This is true of the basic industries such as iron, steel, coal, copper, and other leading mining industries. Figures are given on the basis of reports received from the principal producing factors in the given lines to which they relate, and with them are frequently associated data showing the quantities of the given products on hand at points of shipment or in storage at the chief points for assembling and distributing the output. In some of these lines, figures are collected and issued by governmental agencies, but in most cases the data rendered currently available are supplied chiefly or only by the producers or distributors themselves. The main lines of industry in which basic statistics of this class can be obtained are the following, viz: Coal, iron ore, pig iron, steel, cement, tin, lead, copper, sugar, meats, hides, skins, leather, boots and shoes, lumber, etc.

(*c*) The Railway Administration of the United States has under consideration a plan for the furnishing of compiled statistics relating to the movement of goods. With this plan completely carried out it will be feasible to exhibit the movement of chief items entering into freight movements from period to period. These statistics exhibit the extent and character of changes in the movement of essential materials, and throw light upon the activity of industry by indicating the extent to which such materials are being demanded and produced in order to supply consumption. Selected tabular data intended to exhibit the relative changes in such movements are thus essential in forming an idea, at any given time, of the extent and activity of manufacturing, besides furnishing information regarding the claims of the sections producing and shipping such articles upon other regions of the country where they are manufactured or consumed.

(*d*) Banking and credit statistics are relied upon to show not only the character of the credit situation from the standpoint of internal bank organization but also the conditions under which business is able to obtain the accommodation it requires from those who control the supply of liquid capital and credit. Such statistics include not only deposits, clearings, and reserves but also data showing variations in commercial rates of interest and discount on specified classes of loans. The material for a study of variations in banking and credit is peculiarly extensive and rich, but at certain points has heretofore been incomplete. Inclusive and valuable statistics of the national banking system are prepared by the Comptroller of the Currency, while the work done by the Federal Reserve system in gathering data relative to the condition of member banks in the larger cities has become familiar through the pages of the FEDERAL RESERVE BULLETIN. In sundry of the States satisfactory statistics concerning the condition of State banks are published from time to time by the local departments of banking. One of the most serious gaps in our banking information has been found in the lack of authoritative data concerning discount and interest rates for standardized classes of paper. The Federal Reserve system has already done something toward standardizing interest and discount rates. Before long it may be able, with its twelve Federal Reserve Banks and the branches, which will soon number upward of 15, to furnish authoritative quotations of interest and discount rates at the principal financial centers of the country, and so far as possible to reduce these to an index number basis.

(*e*) Figures relating to savings are considered of importance because they show, at least approximately, the surplus of production over consumption and thus furnish a clue to the volume of new wealth created from time to time and rendered available for reinvestment, and thus for use in increasing or carrying on the productive capacities of the country, thereby affording employment to labor. The data relating to savings have thus far been among the less satisfactory of those available to students of economic progress. With the development of the new system of income and excess-profits taxes it is, however, hoped to obtain more satisfactory information, at least within restricted fields, concerning the development of wealth and the growth of savings. This will at least be possible with reference to corporate savings and investments.

(*f*) Data designed to show the extent of employment at any given time in the country at large throw light on the activity of industry and also upon the purchasing and consuming power throughout the various industrial sections into which the population is divided. The degree of employment and unemployment, and the general level of wages, furnish an exact index of the economic condition of population in any given line of business. The recent entry of the Government of the United States into the industrial field as a large employer of labor and its efforts to secure a better distribution of available workers enables it to furnish reliable information concerning the conditions affecting the movement of and demand for labor in certain fields as well as the distribution of the available supply of workers in the specified classes of industry.

While it is desirable and practicable to furnish general indexes of business conditions for the country as a whole, it will also be necessary, in order to obtain an accurate idea of the situation of the different sections of the Nation, and also to obtain a more complete and detailed analysis of local industries, to initiate similar business indexes for each of the several districts in which one or more basic industries have their headquarters. The establishment of a series of business indexes for the Nation as a whole is only the first step forward in the eventual development of a complete series of business indexes. It is the intention of the Board, therefore, to extend the system generally throughout the several Federal Reserve districts, securing in each district the establishment of satisfactory indexes relating to the condition of the chief industries situated there, and obtaining, as a result, reliable and authoritative reports of local business conditions. No announcement can as yet be made as to the distribution of industries by districts, or the character of the methods to be employed in

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reporting upon each of them. The character of industry and the methods of measuring it vary so widely as between different parts of the country that identical methods can not be employed in all cases. The adaptation of the system of business indexes to the different localities will therefore be deferred to some date in the future, after the initiation and establishment of the business indexes designed to exhibit in broad terms the development of national industry.

Additional Taxation.

The following letter relative to new tax requirements was sent by the Secretary of the Treasury on June 5 to Hon. Claude Kitchin, chairman of the Ways and Means Committee of the House of Representatives:

JUNE 5, 1918.

DEAR MR. KITCHIN:

Replying to your letter of June 3, and referring to our recent conference on the question of new revenue legislation, permit me to submit the following for your consideration:

If the present rate of increase in expenditures should continue for six months, the Treasury will actually have to disburse during the fiscal year ending June 30, 1919, approximately $24,000,000,000.

This estimate is not based merely upon appropriations, nor merely upon estimates made by other departments as to their probable expenditures, although they have been obtained and considered; it is based upon the actual experience of the Treasury during the past year, which has shown that actual expenditures, exclusive of transactions in the principal of the public debt, have increased at the average rate of $100,000,000 per month since March, 1917.

You will observe from the inclosed statement (Exhibit A) that in March, 1917, the expenditures were in round figures $100,000,000. In May, 1918, they were 1,508,195,000. If there should be no further increase during the coming fiscal year the cash expenditures upon the May basis would be more than $18,000,000,000. If, as seems inevitable, the increase in expenditures should continue at the rate of $100,000,000 per month for the next six months, or until December, 1918, and if thereafter the monthly expenditures should remain stationary until June 30, 1919, the Treasury would have to finance expenditures aggregating $24,000,000,000 during the fiscal year ending June 30, 1919; or, to put it another way, if the average monthly expenditure should exceed that for the month of May, 1918, by 33⅓ per cent, it will be necessary to spend $24,000,000,000 in the fiscal year 1919.

In the fiscal year ending June 30, 1918, cash disbursements will amount to between $12,500,000,000 and $13,000,000,000. Of this amount, about one-third will have been raised by taxes and two-thirds by loans, all of which will be represented by long-time obligations; that is, bonds of the first, second, and third Liberty loans and war-savings certificates. We shall thus have completed 15 months of the war with a financial record unequaled, I believe, by that of any other nation.

We can not wisely contemplate nearly doubling our cash disbursements in the fiscal year 1919 without providing additional revenue. We can not afford to rely upon $4,000,000,000 only from taxation, because we shall then have to rely on raising $20,000,000,000 by loans. This would be a surrender to the policy of high interest rates and inflation, with all the evil consequences which would flow inevitably therefrom, and which would, I firmly believe, bring ultimate disaster to the country. We can not afford to base our future financing upon the quicksands of inflation or unhealthy credit expansion. If we are to preserve the financial strength of the Nation, we must do sound and safe things, no matter whether they hurt our pockets or involve sacrifices—sacrifices of a relatively insignificant sort as compared with the sacrifices our soldiers and sailors are making to save the life of the Nation. The sound thing to do is unquestionably to increase taxation, and the increases should be determined upon promptly and made effective at the earliest possible moment.

I doubt seriously if the Government can be financed with only $4,000,000,000 derived from taxation, because with a tax bill no larger than this sufficient economies will not be enforced upon the people of America, and without such economies I see no way in which the great financial operations of the Government can be safely conducted.

On the basis of the present revenue laws we should have to raise in the fiscal year 1919, $20,000,000,000 by the sale of Liberty bonds or by loans of one sort or another. I believe that if we are to preserve the soundness and stability of our financial structure, we should raise by taxation not less than one-third of the estimated expenditures for the fiscal year 1919, or $8,000,000,000.

There are also certain general considerations bearing upon the problem of taxation which I hope I may be permitted to bring to your attention.

The existing excess profits tax does not always reach war profits. The rates of excess profits taxation are graduated and the maximum is 60 per cent. In Great Britain there is a flat rate of 80 per cent on all war profits. The Government departments, under great pressure as they are to get necessary war materials and supplies with the utmost expedition, can not in the nature of things fix their prices nor guard their contracts in such a way as to avoid the possibility of profiteering. The one sure way is to tax away the excessive profits when they have been realized. I do not say this in a spirit of criticism of the corporations or business men of the country who have for the most part loyally supported the Government. In entering into war contracts they take grave risks. They are called upon to make vast expenditures of capital for purposes which may prove unproductive after the war. They are not to be blamed in these circumstances for asking for prices and terms which cover these risks. On the other hand, when the risk has been liquidated by proper allowances, and the contract has proved profitable, the Government should take back in taxes all profits above a reasonable reward. Under existing law, that does not happen because the tax rates are not high enough and can not safely be made high enough, since the test now is not how much of the profits are due to the war, but what relation the profits bear to the capital invested. A company with a swollen capital and huge war profits escapes.

Of course, no one objects to reasonable profits; on the contrary, everyone should want, and I am sure does want, business and enterprise to be rewarded with reasonable, or even liberal profits. Prosperity should be preserved and can be preserved, I believe, on the basis of reasonable profits. The problem of statesmanship is to establish a just relation between necessary taxation and the earning power of the Nation.

This brings me to another consideration of great moment in the Government's financial plans. I hope that it will not be necessary further to increase the interest rate on Government bonds. The number of subscribers to the three Liberty loans aggregated 30,000,000. The people who subscribed are impatient of those who have not. Various plans have been urged upon me for forcing the people to buy Liberty bonds. The man of small means who buys a $100 bond wants his neighbor to do so, too. There is a popular demand also for high taxes upon war profits. There is also a popular demand that all the people should contribute to financing the war. There should, therefore, be a substantial increase in the normal income tax rate and a higher tax should be levied upon so-called unearned incomes. Income derived from Liberty bonds would be exempt from this taxation and the relation between income from Liberty bonds and income from other securities would be readjusted without increasing the rate of interest on Liberty bonds. It would not tax the patriotic purchasers of Liberty bonds on their holdings, but it would weigh heavily upon the shirkers who have not bought them. It would make the return from Liberty bonds compare favorably with the return from other securities. It would give the Government's bonds an essential and necessary advantage over those of corporate borrowers and would very greatly decrease the relative advantage which State and municipal bonds now enjoy through the total exemption which they carry. It would produce a gradual readjustment of the situation in the investment markets instead of an abrupt one, as would be the case if the interest rate on Liberty bonds should be increased.

A normal tax falls upon all alike. Therefore, as I pointed out in my statement before the Ways and Means Committee last summer, there is not the same objection to the exemption from normal income taxes as there is to the exemption from surtaxes. A substantial increase in the normal income tax is the soundest and surest way of stabilizing the price of Government bonds. If we have to increase the interest rate on Government bonds, the increased rate may continue for 10 to 30 years, and some of the bonds which we have issued will go to great premiums not long after the war is over. If we make the bonds at the present rate more attractive by increasing the normal tax, then the decrease in taxation which will follow the close of the war will automatically adjust the situation. I believe that to stabilize the price of Government bonds by first increasing and subsequently reducing the normal income taxes, from which the holders of these bonds are exempt, is sound finance and sound economics.

There is another feature deserving of consideration. We are asking the people to finance this war and we are offering them an investment paying $4\frac{1}{4}$ per cent interest. The people have responded wonderfully to this appeal. In the last Liberty loan campaign 17,000,000, approximately, subscribed. There is a widespread feeling that many people who are able to do so, especially those who are making vast profits out of the war, are not doing their part, either in the purchase of Liberty bonds or in the payment of taxes—that they are investing in corporate stocks and bonds producing high returns instead of in the bonds of their own Government producing reasonable returns, when the first duty of patriotism and self-protection demands that they shall buy Government bonds for the protection of the Nation in its hour of peril.

There is a natural feeling among the masses of the people that taxation upon incomes and upon war profits should be high enough to bring the return from corporate investments more nearly on a parity with the return from Government bonds; that the Government should not be forced to compete for credit with war industries which are profiting abnormally and which, unless restrained by the exercise of sound and just taxation, will constantly add to the difficulties of the people of the United States in their effort to supply the Government at reasonable interest rates with the credit it needs to fight successfully this war for liberty.

If I may, without impropriety, offer a suggestion as to the proposed revenue measure, I should recommend:

(1) That one-third of the cash expenditures to be made during the fiscal year ending June 30, 1919, be provided by taxation. According to my estimates, this would involve raising $8,000,000,000 through taxation.

(2) That a real war profits tax at a high rate be levied upon all war profits. This tax should be superimposed upon the existing excess profits tax in such a way that the taxpayer should be required to pay whichever tax is the greater. The existing excess profits tax should be amended in certain important particulars so as to remove inequalities.

(3) That there should be a substantial increase in the amount of normal income tax upon so-called unearned incomes. Under existing law earned incomes above certain exemptions are taxed 4 per cent as an income tax and 8 per cent as an excess profits tax, making a total of 12 per cent, while unearned incomes, derived from securities, etc., are taxed only 4 per cent. The 8 per cent tax should be recognized as an income tax and the rate of 12 per cent (4 per cent normal and 8 per cent excess profits) should be retained in respect to earned incomes, while a higher rate than 12 per cent should be imposed on unearned incomes.

(4) That heavy taxation be imposed upon all luxuries.

Sincerely, yours,

(Signed) W. G. McAdoo.

Hon. Claude Kitchin,
Chairman Ways and Means Committee,
House of Representatives.

Statement showing classified disbursements by months from March, 1917, to May, 1918, as published in daily Treasury statements.

	Ordinary.	Foreign loans.
March, 1917	$72,773,903.20	....
April, 1917	81,599,598.22	$200,000,000.00
May, 1917	114,102,809.68	407,500,000.00
June, 1917	134,304,040.35	277,500,000.00
	402,780,351.45	885,000,000.00
July, 1917	208,299,031.05	452,500,000.00
August, 1917	277,438,000.64	478,000,000.00
September, 1917	349,013,305.34	396,000,000.00
October, 1917	462,045,359.94	480,700,000.00
November, 1917	512,952,035.17	471,929,750.00
December, 1917	611,297,425.62	492,000,000.00
January, 1918	715,302,039.83	370,200,000.00
February, 1918	675,209,068.43	325,000,000.00
March, 1918	819,955,367.26	317,500,000.00
April, 1918	910,756,758.95	287,500,000.00
May, 1918	1,068,203,026.82	424,000,000.00
	6,610,471,419.05	4,495,329,750.00
Total Mar. 1, 1917, to May 31, 1918	7,013,251,770.50	5,380,329,750.00

	Other special.	Total.
March, 1917	$27,176,896.12	$99,950,799.32
April, 1917	8,294,354.78	289,893,953.00
May, 1917	4,962,746.28	526,565,555.96
June, 1917	919,445.78	412,723,486.13
	41,353,442.96	1,329,133,794.41
July, 1917	1,511,814.92	662,310,845.97
August, 1917	2,019,363.50	757,457,364.14
September, 1917	1,364,980.35	746,378,285.69
October, 1917	1,623,392.58	944,368,752.52
November, 1917	1,200,022.36	986,081,807.53
December, 1917	1,914,433.70	1,105,211,859.32
January, 1918	4,854,005.86	1,090,356,045.69
February, 1918	12,477,917.31	1,012,686,985.74
March, 1918	18,338,441.98	1,155,793,809.24
April, 1918	17,031,020.28	1,215,287,779.23
May, 1918	15,992,206.83	1,508,195,233.65
	78,327,599.67	11,184,128,768.72
Total Mar. 1, 1917, to May 31, 1918	119,681,042.63	12,513,262,563.13

ACCEPTANCES AND THEIR USE.

Below are given some extracts from discussions of the acceptance situation recently offered by the governor and vice governor of the Federal Reserve Board:

THE FINANCING OF COTTON PURCHASES.[1]

I assume at the outset that there is no intention on the part of anyone to deprive the producer of cotton of his cash market. That would be unjust, for the cotton producer as a rule is a man of small means. The production of cotton is distributed over a wide area and among a great many individuals. Most cotton producers are obliged to arrange for their lines of trade in the spring of the year. The southern banks load themselves up with loans to enable the southern farmer to produce his crop, and I take it that it will be universally conceded as fair and just that the southern farmer, having obligations to pay in the fall of the year, shall receive cash for his product when he brings it to the market.

That, however, is only a small part of the financial operation involved. The customers of the southern cotton producer, the large customers, are the cotton mills of the South, New England, Canada, Great Britain, and other countries which in normal times absorb our production. Most of this domestic business is done through the local cotton buyer. The cotton buyer goes to his bank and arranges for a line of credit. He makes such deposits as may be agreed upon, in the way of margin, and he has an arrangement with the bank to loan him the amounts which he may need in order to make his cash purchases from the farmer. The southern bank has been accustomed, as far as domestic purchases are concerned, to receive from the cotton buyer his draft upon the northern or southern cotton mill, as the case may be, or, in the case of shipments across the sea, upon the buyer on the other side.

As far as domestic transactions and shipments are concerned, these drafts have been at sight which, in all States except Massachusetts, means on demand. The bill of lading leaves a southern bank with the draft attached, goes to Boston, for instance, if it is a Massachusetts sight draft; the treasurer of the mill accepts it, and after three days of grace, has to pay it. If he gets a bill of lading, he has perhaps to negotiate a loan on that with some bank in the Northeast. The cotton may be three weeks or three months in transit, and here results a dead load which these mills and their bankers have to carry.

Meanwhile, let us look at the situation in the South. The change there, ordinarily in the fall of the year, is a sudden one. The southern banks, which rediscount heavily in order to carry the farmer during the producing

[1] Extract from address of William P. G. Harding, governor Federal Reserve Board, before the Conference on Cotton Buying, held at the Biltmore Hotel, New York, May 4, 1918, under the auspices of the National Association of Cotton Manufacturers.

season, probably reach the peak of their load when the cotton is being harvested and prepared for market. The advances they have to make to the cotton buyers to start the season, combined with those made to the farmer, create a highly expanded condition of credits. Then, as they get these drafts payable on demand or at sight, their loans automatically are liquidated, so that in the course of a few days or a few weeks at the longest, the banks which have been so greatly expanded, pay off their own obligations in the way of rediscounts and find themselves with a large amount of surplus money on hand. They then go to the note broker or correspondent banks in the larger cities and buy commercial paper.

I am very much impressed with the proposition that some change should be made in the method of financing the cotton crop, and I believe that the suggestion to introduce 90-day drafts to be accepted by a first-class bank or banker a most excellent one. This is not a time for sectionalism of any kind. It is not a time for sectionalism in finance. There is no longer any such thing, because under the operations of the Federal Reserve system, if the banks in one Federal Reserve district are unduly expanded, or, if their credits outstanding are burdensome, they go to their Federal Reserve Bank and rediscount, and the resources of that bank can be built up under the system of interbank discount, for the Federal Reserve Bank of any district, may, and must, upon the order of the Federal Reserve Board, rediscount for the Federal Reserve Bank which needs the assistance; so that the entire resources of the country are mobilized and, if there is a deficiency in one section and a surplus in another, a common level is established through the operation of the system. As there is no longer any possibility of sectional finance, there is no reason why there should be any local sentiment. What affects one affects all.

Now, let us consider the proposed changes. I do not think they involve the slightest change in the relations of the local cotton buyer to the farmer from whom he purchases his cotton. The farmer gets cash as usual. The southern bank is given an opportunity, if it so desires, of extending a long credit. In other words, its loans which have been against goods *in posse* can become credits against goods *in esse*. The crop when raised is a reality, and credits against these acceptances are credits against one of the most readily marketable staples in the world. Assume that a bank in Texas has a bill of lading for 500 bales of cotton, with invoice and draft on some well-known bank in Boston attached. That draft will be drawn not at sight, but at 90 days, with instructions that on the acceptance of the draft by the bank the bill of lading may be surrendered. Then the southern bank, instead of having a cash credit in Boston or in New York, will have this banker's acceptance, an instrument of the highest commercial character, an instrument which the Federal Reserve Board looks upon as paper of the highest class. If the southern bank is so situated that it can continue to carry this credit, it may do so and it will have the most desirable investment that can be obtained. It will not have to go into the market and buy paper of which it knows nothing, taking the judgment of some one else. It has paper with which it is familiar, based on a transaction it knows all about, and accepted by a bank of the highest character.

If, after receiving this acceptance, the southern bank finds that it can not carry the credit longer and wishes to realize upon it, it can go to the open market, a market as broad as the Nation itself, and sell the acceptance, or it can rediscount the acceptance with the Federal Reserve Bank, or the Federal Reserve Bank can buy it in the open market with or without the indorsement of the selling bank. You may say there is the question of interest on that acceptance. Perhaps the cotton broker may think he has to pay it. I do not think he will, as it will be added to the invoice. But suppose he does, let us see what corresponding benefit he has. Those familiar with the movement of cotton in the South realize that two factors are controlling: One is transportation. Bear in mind that the cotton broker must be able to buy the cotton when it comes in from the country to the little towns, because, if a farmer hauling his 10 or 20 bales of cotton to the market in his county town is unable to sell the cotton, he is not going to repeat the experience; and that county town will cease to be a trading center. The banks have always exerted themselves to extend credit, in order to pay the farmer for his cotton as it comes into the local markets. At times the railroads have been unable to furnish cars and that has stopped the movement to the cotton mills, but the local banks and the cotton buyer must carry the load. But the spot demand must also be considered, and, as I understand it, the spot depends upon the cotton-mill men, without regard to the supply of cars available.

Suppose a cotton mill has exhausted its credit and its bankers say: "We have gone so far with you, and you have so much cotton. You must spin that up before we will give you any further credits." The cotton broker in turn is compelled to say to the southern bank: "I had expected to ship out 5,000 bales this month, but have received instructions to hold up for 60 days." This is usually because the cotton mill has had its credits deferred by its bank.

Now, under the acceptance arrangement, credit is not limited to the resources of a single bank or mill. The banks of New York, Boston, or other large cities will undoubtedly give acceptance credits to cotton mills. So there will be no delay owing to lack of financial arrangements by the mills. My experience is based on cotton at $60 a bale. With cotton at $160 and $175 a bale, you can see how greatly conditions are aggravated. If we had stoppage of shipments for lack of credit at $60 a bale, is it not conceivable that the conditions are aggravated at present prices?

So far as the cotton buyer himself is concerned, with the advantage he gains from a steady market and continued operation, not subject to interruption because of inability to secure credits by the cotton mills, the acceptance system will be of great advantage to him. He will save at his local bank and on his warehouse and insurance charges, and, considering everything, the balance, I think, will go on the credit side of his account. As far as foreign shipments are concerned, we are accustomed to long drafts, for no one draws a draft on a Manchester mill payable on demand. The English have had this systematized for many years. Drafts are drawn at 60 days', 3 months', or 4 months' time and are accepted by a prime banker. If a southern bank wishes to buy the drafts, it can do so; but as a rule they are sold through exchange brokers in New York, a draft with invoice and bill of lading attached being drawn against them, upon payment of which the foreign bills are delivered. I see no reason why brokers selling commercial paper and foreign bills can not also sell domestic bankers' acceptances, so that if a southern bank which wishes cash has a 90-day draft against a lot of cotton accepted by a bank in the East it can arrange with the broker to buy that draft and draw on the broker with the documents attached, the same as is done with the foreign draft.

I think that in the interest of the cotton broker, in the interest of the southern banker, in the interest of the banks of the country at large, and in the interest of the Federal Reserve system, it is well to introduce this new plan, if it can possibly be done. I have considered the matter carefully in the last 10 days and I have been unable to find any valid objections to the plan, nor have I received any communications from anyone protesting against it. I am here to-day to learn rather than to advise; and in concluding my remarks I wish to say that I will be in the room for an hour or so and I shall listen very intently to any arguments which may be made for or against the new proposition, but with the light before me it strikes me as an excellent plan which should be put in operation, and one which I know can be greatly aided by the Federal Reserve Banks.

THE TRADE ACCEPTANCE SITUATION.[1]

About two years ago I had the honor of addressing the Credit Men's Association at a meeting in New York upon the topic of the trade acceptance, and since then so much has been said about the advantages in the use of that method of financing that it would be needlessly taxing your patience were I to undertake to demonstrate again to you that the trade acceptance, when properly used, turns a frozen asset into a liquid one, and that the firm which organizes its business on the basis of the trade acceptance is placing itself in a very much stronger position than its competitor who refuses to modernize on the same lines. It would be needless repetition were I to reiterate the other arguments with which you are familiar. It may, however, be useful to analyze this question: Why is the adoption of the trade acceptance so vigorously opposed by some bankers and business men? Let us consider first the reasons given by the bankers. Some bankers assert that in buying a promissory note the mere fact that they are conscious of buying the naked note of a customer furnishes a reason for their feeling obliged to carefully analyze the statement of the customer and to judge the merit of the borrower upon the statement of the latter's financial condition. They allege that this practice is safer than that of purchasing a trade acceptance issued by the same firm, because, as they say, in that case they are likely to rely on the legitimate character of this double-name paper without examining as cautiously as they otherwise would the general condition of the borrower; the likelihood of their adopting that course, they urge, might lead to the manufacture and sale of fictitious accommodation acceptances on the part of their borrowers, and they cite experience in support of their contention.

Other bankers state with great force that they are opposed to the trade acceptance because they would not feel justified in continuing to buy the single-name paper of a borrower who has adopted the habit of selling his trade acceptances. The reason given for this view is that whoever buys a trade acceptance acquires the first lien on what would otherwise have represented one of the accounts receivable of the concern which drew the acceptance, and in addition to that lien, in case of bankruptcy of the drawer of the acceptance, the holder of that acceptance would rank equally with the unsecured note holder as a general creditor for any part of the acceptance which the acceptor might not have paid. As you can readily see, it is impossible that both of these opposed views should be correct; one banker asserting that he will not buy trade acceptances because he does not think they are safe enough, the other that he opposes the trade acceptance because it is so good as to render unsafe the purchase of single-name paper of any customers having sold trade acceptances.

Which of the two arguments is sound? To my mind neither. It has never been contended by the champions of the trade acceptance that these acceptances should be bought by anyone who has not familiarized himself thoroughly with the financial condition of the maker of the paper; he should take this precaution just as if he were buying a single name note, and as long as he does that there is no reason whatever why he should not be capable of judging solvency and standing from the statement of a borrower who sells the trade acceptances he receives just as he can to-day from the statement of a firm which borrows only on its own note. Indeed, one of the main virtues of the trade acceptance is that it clarifies the statement, inasmuch as it shows on the asset side exactly how much there is available in liquid items, among which are the trade acceptances owned, against outstanding liabilities. If the borrower wishes to obtain funds on his single-name note in addition to trade acceptances sold (which

[1] Extract from an address of Hon. Paul M. Warburg before the Trade Acceptance Conference, June 17, 1918.

would be shown as a contingent liability), he would have to satisfy the banker that these funds are required for temporary working capital or for the purchase of material used in the process of manufacturing; unless, indeed, the borrower were paying for the purchases by giving his own trade acceptance. In the latter case the trade acceptance would show as an obligation on the liability side.

This leads us to the objection made by the banker who is unwilling to buy the single-name note of a firm which sells trade acceptances. The Canadian and European methods indicate, I believe, the proper answer. In Canada and England and on the European Continent it is quite customary for banks to grant a customer an overdraft credit. Such a "line" represents the sum on which the customer may count with fair regularity. In addition to that, the Canadian bank will buy freely the customer's trade acceptances, though, of course, within given limits. Generally speaking, it may be said that if the customer be strong and solvent, and if he be considered fairly conservative in choosing his purchasers, the bank will be found ready always to buy a handsome amount of trade acceptances in addition to the regular overdraft granted, relying on the fact that even in case of insolvency on the part of the customer the larger percentage of these trade acceptances will usually be paid, the risk being so largely divided.

When our banks begin to look upon the trade acceptance from this, let us call it, Canadian point of view, I think they may well conclude that it is perfectly proper and safe for them to buy a certain amount of single-name paper (corresponding to the overdraft) and in addition to take a liberal amount of the customers' trade acceptances, provided they use care in scrutinizing the statement of the borrower. I believe many of them will be willing to admit that the flagrant cases cited by them of losses on fictitious trade acceptances were those where the bankers neglected to ask for or to insist on getting the customers' statement. It may be timely for me to add that since the beginning of the operations of the Federal Reserve system the Board has done all in its power, by regulation and admonition, to insist on full and frank statements on the part of business firms, as well as of banks and bankers themselves. In banking and business the greatest safety lies in publicity and frankness.

I am willing to admit that I have a lingering suspicion that certain banks which oppose the trade acceptance may be somewhat influenced by the fact that single-name paper offers a better interest return than the trade acceptance. I am glad, however, to state my belief that the vast majority of the banks take a different point of view in this respect, and that to them the facts that the trade acceptance has been recognized as a preferred type of paper by the Federal Reserve Banks and that it has a wider and more favorable market than single-name paper, are of sufficient force to make them very willing and even anxious to buy these trade acceptances in spite of the lower interest return, just as they buy, by preference, bankers' acceptances on account of the greater liquidity of the latter, even though at present such acceptances net only $4\frac{1}{4}$ per cent as against the commercial paper rate of 6 per cent or more.

Now let us examine the reasons why some business men oppose the development of the use of the trade acceptance. Some, I believe, fight it because they are jealous of maintaining their business on a cash basis—that is to say, they are willing to pay even a high premium in order to avoid the cares and risks of sales on credit. That is a question which every business man must decide for himself, and, as I said in the beginning, we should not attempt to force anyone to do anything in this respect that he does not consider to his own best advantage. It is impossible, however, for me to understand why any business man should be alarmed, or excited, because of the use of the trade acceptance by others who are obliged to sell their goods "on open account." Valid objections could be raised only by one of two classes of business men: Weak or unreliable purchasers who object to binding themselves to a definite obligation to pay on a certain date (in which case, however, the reasons for the opposition on the part of the purchaser ought to be the very arguments for the preference on the part of the seller); or certain firms of great financial or commercial strength, who desire to preserve their position of advantage as against weaker competitors. When borrowing on its own note, the strong firm, with well-established credit, can obtain larger loans and on more favorable terms than its small competitor, and it is, therefore, in position to finance its purchases and its sales on a more favorable basis than the small firm. It gains the advantage both as to the larger scope of business it can do and the lower interest rate it enjoys. True, it could probably do a larger business than at present by adopting the trade acceptance plan, but by thus adopting the trade acceptance basis small firms would probably profit more in proportion than the larger ones; their handicap would be lightened.

The general use of the trade acceptance is likely to tend toward greater standardization of banking paper and greater equalization of interest rates, and I am inclined to think that we might call it a step toward greater democracy in commerce and banking. That is one of several reasons why the Federal Reserve Board favors the policy of granting a preferential rate for trade acceptances. But, speaking broadly, the Federal Reserve system is interested in seeing the business of the country done on the soundest possible basis. Whatever makes for prompt payment may be considered an actual gain at a time when our efforts must be bent upon saving as much as possible, not only in material and labor, but also time and credit.

It is one of the most difficult problems at this juncture, when hundreds of millions of dollars have to be shifted every day, to shorten the many circles in which it travels, not only in the large operations of the Government, but in every individual transaction. It is in the general interest that money paid out for wages and material return as fast as it can to the producer when his goods are sold. Pending the return of the moneys due him he must rely on bank credit, which naturally is limited, and consequently he has to adjust the scope of his operations to the speed with which his "turn-over" can be completed. The trade acceptance plays a most important part in this respect. By securing trade acceptances, even though he may hold them to maturity, the manufacturer can figure with greater exactness what are his obligation and his available cash assets, and, by removing elements of uncertainty, he is enabled to carry on a larger business and to do it in greater safety.

At a time when so much depends upon using every possible advantage in order to speed up production, so as to avoid an unnecessary tie-up of funds, the use of the trade acceptance may be considered a contribution to the national welfare. It must not be said that whoever fails to use the trade acceptance is unpatriotic, but it may be said that it is essential that everyone do what lies in his power to remove anything that stands in the way of securing the greatest possible efficiency of our country at this time, and anything done in this direction is patriotic.

It has lately been explained to me that canneries are facing a rather difficult situation, inasmuch as all prices for cans, boxes, and wages have risen so much that during the coming canning season the credits usually available for the canneries may not be sufficient, the amount of money involved having doubled and the 10 per cent limit in many cases prohibiting the country banks from providing locally the necessary advances. In discussing this problem and trying to suggest means of relief, I asked the question, "How do the canneries pay for their cans and their boxes?" I was told that they pay cash. I inquired, "Could not the can manufacturers take trade acceptances in payment for their cans?" The answer was that the can company must pay cash itself for the tin that it buys from the steel manufacturer; that possibly next year something of the sort might be arranged, but that for this season it would be too late. I did not have the time to look further into the matter, nor is it my intention to venture any opinion as to whether or not it might be practicable for these important companies to change their methods of selling their goods. No doubt they consider themselves better protected in selling for cash and probably they control the market sufficiently to enable them to insist on cash terms. On the other hand, it is clear from the situation that I have described that great relief could be given in this particular case to the canneries, provided, of course, that their credit warrants it, if they could be permitted to pay for their tins and their boxes by 90-day trade acceptances. The process of canning is so rapid that probably even a shorter term than 90 days of credit might prove sufficient. As soon as the canning process is completed, I am told, the canners are able to secure their loans by warehousing and pledging their finished product, and the difficulty of financing is overcome. But for the short period of the peak of the load the use of the trade acceptance might be of the greatest advantage to them.

Facilitating the process of manufacture of food products is certainly a service which contributes to the national interest at this time, and, while I have mentioned this case merely for the purpose of illustration, I hope that it will not be taken amiss if I venture to urge the large industrial concerns in dealing with this question not to consider it exclusively from the point of view of what is to their own best advantage, but to bear in mind that in many cases they have the opportunity of rendering a distinct service to the national interest, an opportunity which when once clearly recognized, they will not wish to miss at this juncture.

In this connection, it may be useful to remind you of a ruling given by the Federal Reserve Board (printed in the March, 1917, FEDERAL RESERVE BULLETIN) to the effect that a trade acceptance, if drawn within reasonable time after the shipment or delivery of the goods, may be considered as a bill of exchange drawn against actually existing value, so that a national bank may buy such trade acceptances from its customers even after it has reached the limit of 10 per cent of its capital and surplus, which constitutes the maximum credit such bank may grant a customer on his single-name note. In view of the greatly increased price of practically all goods and the consequent larger amount of money involved in production, the facility thus afforded by the use of trade acceptances may prove of the greatest service, as you may readily see from the problem of the canneries just described.

Great efforts are being made at present to reduce bank loans as far as possible where they are made for the carrying on of business transactions not strictly compatible with the public interest—that is to say, not absolutely necessary for the successful prosecution of the war or the health and necessary comfort of the people.

The single-name note easily serves as "camouflage." It is very difficult to trace exactly what transaction is being financed by any particular note. The trade acceptance, on the other hand, bears on its face the evidence of its legitimate character—it is capable of proving a most convincing "alibi" where there is doubt as to the purpose for which the proceeds have been used, and it may, therefore, be a great help to the banks in carrying out the national object of conserving to the utmost material, labor, transportation, and credit.

RESOLUTIONS OF CREDIT MEN.

The following resolutions were adopted at the convention of the National Association of Credit Men on Friday, June 21, 1918:

Whereas, it is of the utmost importance at this critical juncture in our financial affairs that we make full use of every legitimate credit instrument, and

Whereas, in the inevitable expansion of credit incident to the growing demands of war it is of the utmost importance that we create not only credit instruments that are eligible for rediscount at Federal Reserve Banks but instruments of the widest marketability, qualities which, as leading financial authorities state, are present in the highest degree in acceptances;

Be it resolved, That the National Association of Credit Men continue to exert its powers to bring about a better understanding of the trade acceptance and to advise, so far as may be, its use in the various lines of trade as contemplated in the Federal Reserve Act as interpreted by the Federal Reserve Board.

Resolved, That this convention give its cordial approval to the officers and directors of the association in joining in the object which is recited in the formation of the American Trade Acceptance Council, believing that through the cooperation of the large national organizations, representative of every phase of business, comprised within the council, the strongest possible influence is being placed behind the movement to substitute the acceptance for the open account.

Credits for Canners.

In a letter to Governor Harding, Mr. Herbert Hoover says of the canning industry:

On a very modest estimate the output of this industry in fruits and vegetables in 1917 was valued at $275,000,000, and I believe canners will this year need about $50,000,000 in addition to their ordinary supplies of capital, because of the increased cost of raw product, cans, cases, and labor.

I know of no industry that is of more genuine value to the country, the Army and the Navy, to those associated with us in the war and toward the winning of the war itself than the canning industry. Its products represent conservation of the most valuable kind.

The industry to-day is splendidly organized and is acting as a unit throughout the United States in conserving every particle of the seasonal products that may result from probably the largest acreage ever planted in cannery crops.

Governor Harding on July 3 sent to all Federal Reserve Banks the following letter:

The attention of the Federal Reserve Board has been called to the fact that because of the limitations of section 5200 of the Revised Statutes many of the smaller national banks are unable to take care of the needs of their customers engaged in the canning business. The canning season is now about to begin and the Board is informed that additional accommodation covering a period of about four months will be required by many concerns engaged in this business.

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It appears that although the canning industries have sold their output in advance, they are unable to realize on these sales until deliveries can be made. In the meantime they are in need of funds with which to purchase materials and to meet pay rolls. The increased cost of labor and materials and the demands for larger production make their needs greater than usual. As the canning industries are located mainly in the small towns, few of them have established connections with larger banks in the cities, and have relied hitherto upon local accommodation.

The suggestion has been made that the city banks extend direct credits to the canners upon the recommendation of local banks. While the Federal Reserve Board does not feel warranted in recommending to member banks in the financial centers that credits be extended to customers of other member banks in the circumstances recited, it does feel, however, that it would be desirable to have the facilities of the Federal Reserve system made available as far as practicable in the present emergency. In order, therefore, to afford some measure of relief, it is suggested that you communicate with some of the larger banks in your district and ascertain if they would be willing to cooperate with the smaller banks in the canning districts by extending temporary credits to such canning enterprises as may be able to make a satisfactory showing as to their financial condition.

Fiduciary Powers.

The applications of the following banks for permission to act under section 11 (k) of the Federal Reserve Act have been approved since the issue of the June BULLETIN:

DISTRICT NO. 7.

Trustee, executor, administrator, and registrar of stocks and bonds:
First National Bank of Englewood, Chicago, Ill.
La Salle National Bank, La Salle, Ill.

DISTRICT NO. 8.

Trustee, executor, administrator, and registrar of stocks and bonds:
Citizens National Bank, El Dorado, Ark.
First National Bank, Murphysboro, Ill.

DISTRICT NO. 9.

Trustee, executor, administrator, and registrar of stocks and bonds:
Montana National Bank, Billings, Mont.
Trustee, executor, and administrator:
First National Bank, Barron, Wis.

DISTRICT NO. 11.

Trustee, executor, administrator, and registrar of stocks and bonds:
First National Bank, Amarillo, Tex.

DISTRICT NO. 12.

Trustee, administrator, and registrar of stocks and bonds:
Third National Bank, Walla Walla, Wash.

Assessment by Federal Reserve Board.

Acting under the provisions of the Federal Reserve Act, the Federal Reserve Board on June 20 voted an assessment of 0.00125 per cent upon the capitalization of Federal Reserve Banks to cover the estimated general expenses of the Board from July 1 to December 31, 1918. The assessment is based upon a capital of $152,556,000, as of June 15, 1918. The rate of assessment will yield $190,695. The resolution of the Board, with the figures on which the assessment is based and a detailed statement of expenditures and commitments as a basis of estimate, is given below.

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 semiannually 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 and twenty-five thousandths of 1 per cent (0.00125) of the capital stock of the Federal Reserve Banks be created for the purposes 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 and twenty-five thousandths of 1 per cent (0.00125) of the total capital stock and surplus of such banks, 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, a receipt for payment made. Such assessment will be collected in two instalments of one-half each; the first instalment to be paid on July 1, 1918, and the second half on September 1, 1918.

Estimate for July, 1918, assessment.

Average monthly encumbrance for period Jan. 1, 1918, to June 30, 1918	$28,761.71
Estimated monthly requirements, July to Dec., 1918, inclusive	35,467.59
Estimated monthly increase	6,705.88
Estimated requirements, July to Dec., 1918, inclusive	$212,805.54
Estimated unencumbered balance July 1, 1918	24,979.48
	187,826.06
Total capitalization and surplus of Federal Reserve Banks, June 15, 1918	152,556,000
Rate of assessment to produce $190,695	0.00125

In view of all conditions I have theh onor to recommend that an assessment of one hundred and twenty-five thousandths of 1 per cent (0.00125) be levied.

W. M. IMLAY, *Fiscal Agent.*

Approved:

COMMITTEE ON ORGANIZATION, EXPENDITURES, AND STAFF.

Detailed statement of expenditures and commitments as a basis of estimate.

	Total, Jan. 1 to June 30, 1918.	Monthly average	Estimated monthly requirements, July 1 to Dec. 31, 1918.
Personal services:			
Board and its clerks	$45,044.01	$7,507.34	$7,650.00
Secretary's office	15,106.15	2,517.69	2,750.00
Counsel's office	12,406.32	2,067.72	2,082.52
Division of audit and examination	17,695.00	2,949.16	4,500.00
Division of reports and statistics	11,158.67	2,026.44	3,500.00
Division of issue	6,462.52	1,077.09	1,600.00
Messengers	3,324.16	554.03	650.00
Charwomen	396.00	66.00	66.00
Contingent	....	....	1,000.00
Total	112,592.83	18,765.47	23,798.52
Nonpersonal services:			
Transportation and subsistence—			
Board and its clerks	592.74	98.79	200.00
Secretary's office	....	....	....
Division of audit and examination	6,492.18	1,082.03	1,500.00
Division of reports and statistics	....	....	....
Counsel's office	....	....	....
Messengers	15.00	2.50	5.00
Communication service—			
Telephone	1,316.60	219.44	250.00
Telegraph	4,368.92	728.15	100.00
Postage	49.50	8.25	10.00
Printing and binding, etc	18,733.59	3,122.26	3,000.00
Contract repairs	48.21	8.03	10.00
Electricity (light and power)	180.00	30.00	30.00
Steam (heat)	100.00	16.66	20.00
Other nonpersonal services	1,635.16	272.52	250.00
Supplies—			
Stationery	1,537.50	256.25	200.00
Periodicals	146.35	24.39	25.00
Other	802.00	133.67	125.00
Equipment:			
Furniture and office	3,015.43	502.57	500.00
Books	370.50	61.75	25.00
Gold-settlement fund (including salaries)	2,435.08	405.85	300.00
Foreign exchange (including salaries)	8,522.07	1,420.35	....
Rent	1,929.60	321.60	119.07
Capital issues (including salaries)	7,687.01	1,281.17	....
Contingencies	....	....	5,000.00
Total	59,977.44	9,996.24	11,669.07
Grand total	172,570.27	28,761.71	35,467.59

State Banks and Trust Companies Admitted.

The following list shows the State banks and trust companies which have been admitted to membership in the Federal Reserve System during the month of June.

	Capital.	Surplus.	Total resources.
Texas Bank & Trust Co., Beaumont, Tex.	$250,000	$110,000	$2,976,439
The New Jersey Title Guarantee & Trust Co., Jersey City, N. J.	1,000,000	1,000,000	14,805,121
The Farmers Savings Bank, Walla Walla, Wash.	200,000	40,000	1,682,915
The Citizens Bank of Aztec, Aztec, N. Mex.	40,000	10,000	271,392
First State Bank, Canisteo, N. Y.	50,000	25,000	458,058
Peoples Trust & Savings Bank, Perry, Iowa	50,000	500	378,056
Security Bank & Trust Co., Wharton, Tex.	50,000	6,000	350,367
Citizens State Bank, Tekoa, Wash.	25,000	10,000	358,239
Northeastern Banking Co., Commerce, Ga.	100,000	35,000	657,674
Albion State Bank, Albion, Wash.	25,000	5,000	103,976
Farmers State Savings Bank, Bay City, Mich.	100,000	25,000	1,050,198
Thatcher Bros. Banking Co., Logan, Utah	150,000	50,000	1,285,560
Lapeer County Bank, Imlay City, Mich.	50,000	10,000	962,049
Fulton Trust Co., New York	500,000	250,000	9,731,360
Citizens State Bank, Gooding, Idaho	25,000	10,000	341,961
American Trust Co., Jacksonville, Fla.	200,000	10,000	726,998
Montgomery County Trust Co., Amsterdam, N. Y.	200,000	100,000	2,298,948
Security State Bank, Dillon, Mont.	50,000	3,000	185,112
Ogden Savings Bank, Ogden, Utah	150,000	150,000	1,544,120
Wells-Hine Trust Co., Savannah, Mo.	100,000	1,800	639,603
Bellevue Realty Savings & Trust Co., Bellevue, Pa.	125,000	50,000	940,747
The Bank of Oregon City, Oregon City, Oreg.	100,000	50,000	1,298,641
McCornick & Co., Bankers, Salt Lake City, Utah	600,000	120,000	10,108,453
Mondamin Savings Bank, Mondamin, Iowa	35,000	5,000	402,635
Grant Trust & Savings Co., Marion, Ind.	100,000	100,000	1,845,387
Lilley State Bank, Tecumseh, Mich.	40,000	20,000	696,154
Tecumseh State Savings Bank, Tecumseh, Mich.	26,000	26,000	655,408
Farmers & Stockgrowers Bank, Salt Lake City, Utah	300,000	18,000	1,187,127
Bank of New Richmond, New Richmond, Wis.	35,000	15,000	628,472
Savings Investment & Trust Co., East Orange, N. J.	150,000	300,000	6,465,331
American Bank, Union Springs, Ala.	50,000	5,000	208,270
Liberty Bank & Trust Co., New Orleans, La.	200,000	10,000	298,045
The Union Savings Bank, Manchester, Mich.	25,000	50,000	803,804
The City Savings Bank & Trust Co., Alliance, Ohio	100,000	100,000	2,427,981
Dayton Savings & Trust Co., Dayton, Ohio	300,000	200,000	8,230,324
Albion State Bank, Albion, Mich.	50,000	25,000	932,065
The Struthers Savings & Banking Co., Struthers, Ohio	50,000	50,000	1,717,284
Wachovia Bank & Trust Co., Winston-Salem, N. C.	1,250,000	750,000	16,892,813
The Fifth Avenue Bank of New York, New York	200,000	2,000,000	22,873,437

NOTE.—The Central Trust Co. of New York and the Union Trust Co. of New York, member institutions, have consolidated under the name of the Central Union Trust Co.

Five hundred and twenty-three State institutions are now members of the system, having a total capital of $280,104,900, total surplus of $355,153,565, and total resources of $6,082,911,349.

New National Bank Charters.

The Comptroller of the Currency reports the following increases and reductions in the number of national banks and the capital of national banks during the period from June 1, 1918, to June 28, 1918, inclusive:

	Banks.	
New charters issued to	13	
With capital of		$560,000
Increase of capital approved for	6	
With new capital of		475,000
Aggregate number of new charters and banks increasing capital	19	
With aggregate of new capital authorized		1,035,000
Number of banks liquidating (other than those consolidating with other national banks)	3	
Capital of same banks		180,000
Total number of banks going into liquidation or reducing capital (other than those consolidating with other national banks)	3	
Aggregate capital reduction		180,000
The foregoing statement shows the aggregate of increased capital for the period of the banks embraced in statement was		1,035,000
Against this there was a reduction of capital owing to liquidation (other than for consolidation with other national banks) and reductions of capital of		180,000
Net increase		855,000

Commercial Failures Reported.

Notwithstanding various factors calculated to enhance the possibilities of financial embarrassment, the country's business mortality remains remarkably moderate, only 540 commercial failures being reported to R. G. Dun & Co., during three weeks of June, against 815 in the same period of 1917. Moreover, the statement for May, the latest month for which complete statistics are available, discloses fewer insolvencies (880) than in any month since September, 1911, and the smallest number for May in fully a decade. While the May liabilities, $13,134,672, are 11.6 per cent above those of last year, they are the lightest for the period, with this exception, back to

1910, and the indebtedness is less than in May, 1917, in 7 of the 12 Federal Reserve districts. Thus, reductions from last year appear in the fourth, fifth, sixth, eighth, ninth, tenth, and eleventh districts, although the decreases are not sufficient to offset the increases in the remaining 5 districts. Numerically, improvement is shown in every district, as compared with last year, and in several instances the changes are striking.

Failures during May.

Districts.	Number.		Liabilities.	
	1918	1917	1918	1917
First	120	152	$2,380,400	$1,556,618
Second	164	237	4,250,139	2,760,807
Third	45	59	1,121,474	578,653
Fourth	74	98	879,332	1,048,049
Fifth	39	76	206,811	915,789
Sixth	46	115	209,110	1,438,019
Seventh	141	167	2,106,672	1,250,196
Eighth	34	69	177,340	278,598
Ninth	22	53	125,400	237,761
Tenth	41	51	184,428	293,037
Eleventh	31	58	262,671	503,691
Twelfth	129	161	1,230,895	910,673
	880	1,296	13,134,672	11,771,891

Plan for Daily Clearings Through the Gold Settlement Fund.

The following plan of daily clearings through the gold settlement fund has been adopted by the Federal Reserve Board, and the Federal Reserve Banks have been directed to make it effective on and after July 1, 1918.

At the close of business each night each Federal Reserve Bank will wire to the Federal Reserve Board the aggregate amounts credited that day to each other Federal Reserve Bank. This would amplify the present Wednesday telegram, in so far as actual dollars and cents would be wired instead of even thousands. Credits now entered by each Federal Reserve Bank to the account of each of the other 11 banks, which are grouped at present on Form No. 34 in "Due to other Federal Reserve Banks," would be credited to "Gold settlement fund, suspense" instead.

This telegram should be sent as an "open" message except for the introductory and final code words. It should show in numerals, properly punctuated, the exact amounts in dollars and cents credited to each of the other 11 Federal Reserve Banks at the close of business on the respective day, and give the same figures as will be shown in the daily statement on Form No. 34 against new liability item "Gold settlement fund—Suspense account" (replacing item "Due to other Federal Reserve Banks").

A sample of the form of telegram, with introductory test word and closing code word denoting date of credits, would read as follows:

Code	10,125,671.29
New York	5,285,024.74
Philadelphia	388,411.12
Cleveland	612,050.50
Richmond	78,056.49
Atlanta	47,411.99
Chicago	1,304,856.50
St. Louis	708,980.25
Minneapolis	98,412.16
Kansas City	504,411.88
Dallas	49,560.48
San Francisco	1,048,495.18

Code.

SMITH, *Cashier.*

On the morning following the Board, having received 12 telegrams, will charge each sending bank in the gold settlement fund with the aggregate of its telegram, distributing the individual credits as therein advised.

The Board will then credit each of the 12 Federal Reserve Banks in the gold settlement fund with the aggregate of credits telegraphed by the other Federal Reserve Banks and send appropriate telegraphic advice to each of the banks credited.

In these telegrams the Board will continue to show net gain or loss in the fund, which would confirm to the Federal Reserve Banks that their respective telegrams of the previous day had been correctly received.

Upon receipt of the Board's telegram, each Federal Reserve Bank will make the following entries:

Debit.—"Gold settlement fund, suspense."

Credit.—"Gold settlement fund" (with aggregate of telegram to the Board on the day previous).

Debit.—"Gold settlement fund."

Credit.—"Collection items" (deferred debits) (with aggregate of the telegram received that day from the Board).

The necessity for "Gold settlement fund, suspense" account arises from the fact that the Federal Reserve Board's published statement must reflect the figures shown on the books of and reported to it by the 12 Federal Reserve Banks.

This new account will eliminate telegraphic "float" and thus avoid a situation encountered several times on Friday nights, under which asset item "Gold settlement fund" had been credited by one Federal Reserve Bank without corresponding debit by another Federal Reserve Bank.

The above covers the modus operandi of the suggested plan, in so far as the gold settlement fund accounts of the Federal Reserve Board and the 12 banks are concerned. The interior arrangements at the individual Federal Reserve Banks may be made as follows:

Everything dispatched from one Federal Reserve Bank to another should be deferred, and charged to "Collection items, debit." This covers not only cash letters, whether city or country items, but payments on telegraphic transfers ordered by other Federal Reserve Banks, Federal Reserve notes or currency shipped to other Federal Reserve Banks, miscellaneous charges, expense, service charges, interest, telegrams, etc., in fact, every item heretofore charged to "Due from Federal Reserve Banks" should, under the proposed plan, be charged to "Collection items, debits."

Some banks might prefer to enter these "Collection items, debits" by detail in books; while others would prefer to file the carbons of their letters or other dispatches, etc., under the names of the Federal Reserve Banks affected. Some banks prefer the latter plan for the reason that, by intelligent filing, an automatic tickler of unaccounted for items is thereby supplied for convenient tracing.

Each Federal Reserve Bank, in addition to the daily telegram to the Board, as outlined above, will prepare, as it now does, statement of the details with proper description, for the use of each other Federal Reserve Bank whose account in the gold settlement fund has received credit.

The aggregate of each statement would, of course, agree exactly with the aggregate amount of credits wired to the Federal Reserve Board. This statement should be forwarded by first mail, carbon to be retained for the files.

Upon receipt of the Federal Reserve Board's daily wire, it will be impossible to do other than credit "Collection items" (deferred debits) with the total, one ticket for each Federal Reserve Bank.

Upon receipt, however, of the mail advices from other Federal Reserve Banks the carbon copies, or tickets representing previous debits to "Collection items—deferred debits," covered in the mail advices received would be transferred from the "Collection items—Deferred debits" files, as well as the credit ticket representing the entry made on receipt of the Board's wire.

It would be necessary, of course, to see that the mail advice footed to the total of the wire, and that the items covered in the mail advice, corresponded to the carbons transferred from the "Collection debit" file.

Without a full understanding of the plan, telegraphic transfers might at first seem to temporarily prejudice the reserve of the Federal Reserve Bank which credits its members and charges "Collection items, debits." As a matter of fact, however, the effect is exactly as at present, where "Due from other Federal Reserve Banks" is charged. Both accounts are deductions from gross deposits.

The effect of this plan would be to eliminate a great deal of work at the Federal Reserve Banks, and to provide daily, instead of weekly, the proper participations in the gold settlement fund in as nearly an automatic way as possible.

At the present time, the Federal Reserve Banks, in addition to the weekly settlement, have the privilege of demanding transfers at any time when a net debit balance is shown in account with other Federal Reserve Banks. It is to be expected that under the present plan of weekly settlements such transfers will become more numerous in the future, as the calls upon the Federal Reserve Banks for financial assistance of their members become heavier. The proposed plan will do away with the greater part of such transfers, also with the necessity of rediscounts between Federal Reserve Banks when due primarily to the unavailability of "Amounts due from other Federal Reserve Banks." The rediscounting operation, as at present conducted, involves a great deal of work, which, by some means or other, should be curtailed.

At the present time practically all the Federal Reserve Banks are advising each other by wire their daily credits of immediately available city items. While good, to a limited extent, the plan covers but a small proportion of the credits. The new plan will reduce the number of telegrams very considerably, and will cover every credit.

New Treasury Financing.

The following is a copy of a letter sent by Secretary McAdoo to the president of each bank and trust company in the United States on June 12, 1918:

THE SECRETARY OF THE TREASURY,
Washington, June 12, 1918.

DEAR SIR: Following the same plan as that announced in my telegram of February 6, 1918, I am writing to inform you of the program for the ensuing four months, so far as one can be made at this time, in order that every bank and trust company in the United States may have adequate notice and be able to prepare itself to meet patriotically the requirements of the Government. I am sending a similar letter to every bank and trust company in the United States.

This policy, adopted in February last, was successful, and, having fulfilled expectations in the sale of certificates of indebtedness prior to the third Liberty loan, demonstrated that the Government could rely upon the hearty support and cooperation of the banks when given opportunity in advance to make necessary preparations.

The expenditures of the Government, as nearly as can be estimated, will require the sale of certificates of indebtedness up to the 1st of November, 1918, aggregating approximately $6,000,000,000. This would involve the issue every two weeks of about $750,000,000 of certificates substantially similar in character to those issued prior to the third Liberty loan, except that they will have various maturities not exceeding four months. For the months of July and August that program will be followed as nearly as possible.

The first issue of the certificates will be dated June 25, will mature October 25, with interest at 4½ per cent, and similar issues, it is expected, will be made on Tuesday of every other week following June 25. It is, however, contemplated that at a convenient and favorable period during the summer an offering will be made to the general public directly, and through the banks, of an amount yet to be determined, perhaps $2,000,000,000 of certificates of suitable maturities for use by taxpayers in paying next year's taxes, viz, taxes payable June, 1919, levied under existing and pending legislation. To the extent that certificates of that character are sold, substantially an equivalent reduction in the amount of the regular fortnightly sale of certificates issued in anticipation of the next Liberty loan will be effected.

In giving this timely advice of the estimated requirements of the Treasury to all the banks of the country, and, through them, to those who expect to make payment of taxes in 1919, it is hoped that they will make arrangements promptly of such a character that no delay will be experienced in the sale and distribution of Treasury certificates of both issues.

The Federal Reserve Banks will advise all national and State banks in their respective districts of the amount of certificates which they are expected to take from time to time in pursuance of this program, which amount can be figured roughly to equal 2½ per cent of the gross resources of each bank and trust company for every period of two weeks, or a total of 5 per cent monthly. It will be remembered that in the February program the amount which the banks were asked to take was substantially equal to 2 per cent of their gross resources for each period of two weeks, or a total of 4 per cent monthly. The total number of biweekly offerings of certificates to be made to the banks will somewhat depend upon the amount to be raised from the public through the sale of tax certificates as above described.

Already more than 700,000 of our splendid American boys are on the soil of France and many of them are actually fighting among the heroic defenders of the western front. Fresh contingents of American troops are constantly going forward to France, and this stream will not stop until there is enough of American manhood and valor on the battle line to defeat the Kaiser and his minions, and enforce peace upon the righteous basis which will make secure the liberties of mankind. America's sons are dying daily in those battles of fire and poison gases that are now raging in France. The heart of every American must thrill with pride and emotion as he thinks of the sacrifices our sons are making for our safety and our liberty. Tha bankers of the United States can render a peculiarly helpful service to our gallant sons by keeping the Treasury of the United States supplied with the money required by the Government to furnish every American hero with the things he must have to fight victoriously or to die gloriously. I am sure that no patriotic banker in the United States will fail to do his full meed of essential service to his country and to her noble defenders.

Cordially yours,

W. G. McADOO.

To The PRESIDENT OF THE BANK OR TRUST COMPANY ADDRESSED.

The following bill (H. R. 12580) has been passed by the House of Representatives and Senate:

A BILL To authorize an additional issue of bonds to meet expenditures for the national security and defense, and, for the purpose of assisting in the prosecution of the war, to extend additional credit to foreign Governments, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section one of the Second Liberty Bond Act, as amended by the Third Liberty Bond Act, is hereby further amended by striking out the figures "$12,000,000,000" and inserting in lieu thereof the figures "$20,000,000,000."

SEC. 2. That section two of the Second Liberty Bond Act, as amended by the Third Liberty Bond Act, is hereby further amended by striking out the figures "$5,500,000,000" and inserting in lieu thereof the figures "$7,000,000,000."

SEC. 3. That, notwithstanding the provisions of the Second Liberty Bond Act, as amended by the Third Liberty Bond Act, or of the War Finance Corporation Act, bonds and certificates of indebtedness of the United States payable in any foreign money or foreign moneys, and bonds of the War Finance Corporation payable in any foreign money or foreign moneys exclusively or in the alternative, shall, if and to the extent expressed in such bonds at the time of their issue, with the approval of the Secretary of the Treasury, while beneficially owned by a nonresident alien individual, or by a foreign corporation, partnership, or association, not engaged in business in the United States, be exempt both as to principal and interest from any and all taxation now or hereafter imposed by the United States, any State, or any of the possessions of the United States, or by any local taxing authority.

SEC. 4. That any incorporated bank or trust company designated as a depositary by the Secretary of the Treasury under the authority conferred by section 8 of the Second Liberty Bond Act, as amended by the Third Liberty Bond Act, which gives security for such deposits as, and to amounts, by him prescribed, may, upon and subject to such terms and conditions as the Secretary of the Treasury may prescribe, act as a fiscal agent of the United States in connection with the operations of selling and delivering any bonds, certificates of indebtedness, or war-savings certificates of the United States.

SEC. 5. That the short title of this act shall be "Fourth Liberty Bond Act."

Lost Liberty Bonds.

In the following list will be found the numbers of United States Liberty bonds that have been lost or stolen; also a list of the bonds that have been recovered and returned to the proper owners.

FIRST $3\frac{1}{2}$ PER CENT BONDS, DUE 1947.

Number.	Amount.	Number.	Amount.
78749	$500	961108	$50
892879	50	380058	100
380057	100		

SECOND 4 PER CENT BONDS, DUE 1942.

92212	$50	3262438	$100
893011	50	5446722	100
3262431	100	5446723	100
3262435	100	5446724	100
3262437	100	5146725	100

THIRD $4\frac{1}{4}$ PER CENT BONDS, DUE 1928.

Number.	Amount.	Number.	Amount.
705913	$50	943968	$1,000
705914	50	943969	1,000
705915	50	943970	1,000
385332	100	943971	1,000
385333	100	943972	1,000
385358	100	943973	1,000
385369	100	943974	1,000
385373	100	943975	1,000
924086	1,000	943976	1,000
924087	1,000	943977	1,000
924088	1,000	943978	1,000
924089	1,000	943979	1,000
924090	1,000	943980	1,000
924091	1,000	943981	1,000
924092	1,000	943982	1,000
924093	1,000	943983	1,000
924094	1,000	943984	1,000
924095	1,000	943985	1,000
924096	1,000	943986	1,000
924097	1,000	943987	1,000
924098	1,000	943988	1,000
924099	1,000	943989	1,000
924100	1,000	943990	1,000
943953	1,000	943991	1,000
943954	1,000	943992	1,000
943955	1,000	943993	1,000
943956	1,000	943994	1,000
943957	1,000	943995	1,000
943958	1,000	943996	1,000
943959	1,000	943997	1,000
943960	1,000	943998	1,000
943961	1,000	943999	1,000
943962	1,000	944000	1,000
943963	1,000	944001	1,000
943964	1,000	944002	1,000
943965	1,000	944003	1,000
943966	1,000	944004	1,000
943967	1,000	944005	1,000

In the following list appear the numbers of United States Liberty bonds that have been recovered and restored to the interested bank. These numbers appeared in the Federal Reserve Bulletin, June, 1918.

FIRST 4 PER CENT CONVERTED, DUE 1947.

No.	Amount.	No.	Amount.
540340	$50	540345	$50
540341	50	540346	50
540342	50	540347	50
540343	50	540348	50
540344	50	540349	50

SECOND 4 PER CENT BONDS, DUE 1942.

5446705	$50	5446714	$50
5446706	50	5446715	50
5446707	50	5446716	50
5446708	50	5446717	50
5446709	50	5446718	50
5446710	50	5446719	50
5446711	50	5446720	50
5446712	50	5446721	50
5446713	50		

THIRD 4½ PER CENT BONDS, DUE 1928.

4620	$500	385331	$100
385330	100	385353	100

If any of these bonds or coupons are presented, kindly write, telephone, or telegraph, collect, to L. W. Gammon, manager protective department, American Bankers' Association, 5 Nassau Street, New York City.

Rulings by the Commissioner of Internal Revenue.

TAX ON STOCK DIVIDENDS.

Following is a letter written by the Commissioner of Internal Revenue to a Texas firm:

JUNE 18, 1918.

GENTLEMEN: Your letter of June 8, addressed to Hon. W. F. Ramsey, asking certain questions relative to the application of the internal-revenue laws to certain proposed stock dividends, has to-day been referred to me for reply by Hon. M. C. Elliott, counsel for the Federal Reserve Board.

Income upon which the bank in question has paid income and excess-profits taxes does not become subject to any additional taxes by reason of its use in payment for stock issued as a stock dividend. Your conclusion as to the first point dealt with in your letter appears to be correct.

Under the income-tax act now in force (act Sept. 8, 1916, as amended by the act of Oct. 3, 1917) stock dividends are expressly taxed, as they were not under the act of October 3, 1913, the statute under which it was decided in the case of Towne *v.* Eisner, to which you refer.

On this point, see section 31 (a) of the act added by section 1211 of the act of October 3, 1917, which provides in part as follows:

"The term 'dividends' as used in this title shall be held to mean any distribution made or ordered to be made by a corporation, joint-stock company, association, or insurance company, out of its earnings or profits accrued since March first, nineteen hundred and thirteen, and payable to its shareholders, whether in cash or in stock of the corporation, joint-stock company, association, or insurance company, which stock dividend shall be considered income, to the amount of the earnings or profits so distributed."

It has been the ruling of this department, in accordance with an opinion of the Attorney General, that under this language the tax upon stock dividends is to be collected, notwithstanding the decision to which you refer relating to the earlier act.

You are therefore advised that in so far as the stock divident is issued against earnings or profits accrued since March 1, 1913, it will be subject to additional or super tax in the hands of the individual stockholders. As to the allocation of earnings distributed by means of such dividends as between different years in which the earnings were received, see section 31 (b) of the act, and Treasury Decisions Nos. 2659 and 2678, copies of which are inclosed. Dividends are not, however, subject to the excess-profits tax against the individual stockholders.

Respectfully,
(Signed) DANIEL C. ROPER,
Commissioner.

STAMP TAX ON DRAFTS IN CONNECTION WITH SHIPMENTS OF GOODS TO SEABOARD.

Following is a letter written by the Commissioner of Internal Revenue to M. C. Elliott, counsel for the Federal Reserve Board:

JUNE 21, 1918.

MY DEAR MR. ELLIOTT: Referring to your letter of June 5 and my acknowledgment of June 10, it seems from Mr. Curtis's letter that under credit agreements conforming with the regulations of the Federal Reserve Board packers may draw bills of exchange on domestic banks against sales of goods to the Allied Purchasing Commission, such bills running for a period of time covering approximately the transit of the shipment from the interior point to the seaboard, where the goods are taken on board ship for the ocean voyage at the convenience of the Allied Purchasing Commission.

In Wm. E. Pock & Co. (Inc.) *v.* Lowe, decided in the United States Supreme Court May 20, 1918, which held that the income tax of 1913 was valid as applied to net income derived from sales in foreign commerce, the court had occasion to discuss the effect of the constitutional prohibition against taxing articles exported, and it referred to and distinguished certain of its former decisions on the subject. It concluded that when the tax is not laid on the articles themselves while in course of exportation, the true test of its validity is whether it so directly and closely bears on the process of exporting as to be in substance a tax on the exportation. In the present circumstances it can probably fairly be said that the tax on the drafts, although they are to be paid before the actual ocean voyage begins, bears so directly and closely on the process of exporting as to be in substance a tax on it. The goods are doubtless "in course of exportation" from the time the first carrier receives them.

The same principle would seem to apply as in the case of the transportation tax. In Article 31 of Regulations No. 42 rules for determining when property may be deemed to be in the course of exportation are laid down, and apparently the present situation is within their scope.

It is accordingly held that the stamp tax imposed by subdivision 6 of Schedule A of Title VIII of the act of October 3, 1917, does not attach to drafts on domestic banks in connection with the shipment of articles from the interior to the seaboard, where such articles have been sold to the United States agent of a foreign purchaser for export under circumstances entitling the transportation within the United States to exemption from the transportation tax.

Yours, sincerely,

(Signed) DANIEL C. ROPER,
Commissioner.

Questions and Answers Relating to Membership of State Institutions.

The following discussion of membership in the Federal Reserve system and of conditions under which the functions of Federal Reserve Banks are exercised has been issued by the Federal Reserve Bank of New York. It is reprinted here in order to render it available to all member banks. Certain portions of the document as issued by the Federal Reserve Bank of New York have been omitted, either because they are of only local application or because they have been thoroughly covered in the Federal Reserve BULLETIN of the past issues.

Rediscounting.

SAFETY FOR DEPOSITORS, STOCKHOLDERS, AND BORROWERS.

Q. 1. In what way is membership of advantage to a State bank or trust company?

A. Through membership in the Federal Reserve system a State bank or trust company is assured of greater safety for its depositors and stockholders than when operating as a nonmember bank not only as to the repayment of deposits, but also as to its ability to continue to grant accommodation at all times, and especially in the midst of war-time conditions.

Q. 2. In what way does membership insure greater safety to the institution, its depositors, and stockholders?

A. Nearly every bank or trust company has among its assets a considerable amount of commercial paper. If it is a member of the Federal Reserve system, this commercial paper is practically as available as though it were actual cash, for the member bank can at any time take it to the Federal Reserve Bank and rediscount or borrow upon it and is thus in position to meet whatever demands for cash it may have. Government securities and notes secured by Government securities or given for the purpose of purchasing or carrying Government securities may be used in the same way. The ability of the well-managed institution to meet its obligations is thus assured.

CERTAINTY OF ACCOMMODATION.

Q. 3. How does this affect the ability of a bank to grant accommodation to its customers?

A. The ability of a bank to grant accommodation to its customers under our system of banking is dependent upon its ability to maintain a fixed ratio of reserves to its deposit liability. As additional accommodation is extended, deposits increase and a larger reserve becomes necessary. If the bank can not obtain this additional reserve, it must cease extending accommodation. By borrowing from the Federal Reserve Bank and taking credit upon the books of that institution the member's reserve is increased and its power to extend accommodation is thereby correspondingly extended to a maximum amount equal, in the case of a country bank, to about 14 times the amount it borrows from the Federal Reserve Bank, and in the case of a reserve city bank or a central reserve city bank to about 10 times and 8 times, respectively.

Q. 4. How much can a member bank borrow from the Federal Reserve Bank?

A. The law places no limitation upon the amount which a particular member bank may borrow from its Federal Reserve Bank, and the only practical limit is that which would be dictated by the banking judgment of the management of the Federal Reserve Bank, having in mind its own position and the needs of all the other member banks.

Q. 5. Can a member bank borrow on anything besides commercial paper?

A. Yes. Obligations of the United States Government are available as collateral for loans made by the Federal Reserve Bank to its members, and notes of customers, secured by United States Government obligations, or given for the purpose of purchasing or carrying Government secutities, are eligible for rediscount.

RATES OF DISCOUNT MODERATE AND STABLE.

Q. 6. For what length of time and at what rates will the Federal Reserve Bank rediscount for or loan to a member bank?

A. The following is quoted from the latest circular of the Federal Reserve Bank of New York announcing rates of discount effective April 6, 1918, and gives full information concerning time and rates for various classes of borrowing at the Federal Reserve Bank:

ADVANCES.

	Per cent.
For advances not exceeding 15 days to member banks on their promissory notes secured by eligible paper or bonds, notes, or certificates of indebtedness of the United States	4

The Federal Reserve Act permits direct advances by Federal Reserve Banks to member banks on their own collateral notes only for periods not exceeding 15 days. The Federal Reserve Bank has pursued a reasonably liberal policy as to renewals of 15-day notes.

REDISCOUNT.

	Per cent.
For notes, drafts, and bills of exchange having a maturity at time of rediscount of not more than 15 days	4
For notes, drafts and bills of exchange having a maturity at time of rediscount of more than 15 days and not more than 90 days	4¾
For agricultural paper having a maturity at time of rediscount of more than 90 days and not more than six months	5

SPECIAL RATES.

	Per cent.
For notes, drafts, and bills of exchange issued or drawn for the purpose of buying or carrying bonds, notes, or certificates of indebtedness of the United States and secured thereby, having a maturity at time of rediscount of more than 15 days but not more than 90 days	4½
For trade acceptances having a maturity at time of rediscount of more than 15 days but not more than 90 days	4½
For rediscounting for member banks, for periods not exceeding 15 days, eligible paper having a maturity at time of rediscount of more than 15 days	4

PRACTICALLY ALL BANKS HAVE PAPER ELIGIBLE FOR REDISCOUNT.

Q. 7. State banks and trust companies frequently state that they do not hold paper of a kind eligible for rediscount at the Federal Reserve Bank. Is this true?

A. The experience of State banks and trust companies ranging from very small banks in the smallest communities up to the largest institutions of this kind in the country which have become members of the system, shows conclusively that practically all such institutions have substantial amounts of paper which is eligible for rediscount at the Federal Reserve Bank, and the institutions which have thus far joined have experienced no difficulty in obtaining from the Federal Reserve Bank all needed accommodation.

Q. 8. Is not the paper held by the smaller banks and trust companies, and especially those in small towns, too small to be used for rediscounting?

A. No. It is probable that the small institutions have an even larger proportion of eligible paper than the larger ones, and no item is too small in size to be used for this purpose. Notes for amounts as small as $18 have been rediscounted, and items of $100, $500, and $1,000 and similar amounts constitute the bulk, in number, of Federal Reserve Bank discounts.

Q. 9. What paper is eligible for rediscount?

A. Generally speaking, the ordinary notes, single or double name which a bank receives from its business and agricultural borrowers. More specifically, eligible commercial paper includes notes, drafts, or bills of exchange having a maturity of not more than 90 days, exclusive of days of grace (or agricultural paper having maturity of not more than 6 months) the proceeds of which have been used or are to be used in actual commercial transactions, i. e., in purchasing, carrying, or marketing goods, or in one or more of the steps of the process of production, manufacture, or distribution.

Q. 10. What paper is not eligible?

A. Notes, drafts, or bills of exchange the proceeds of which have been used or are to be used for permanent or fixed investments of any kind, such as land, buildings, or machinery, or similar instruments issued or drawn for the purpose of carrying or trading in stocks, bonds, or other investment securities, except bonds and notes of the United States, are not eligible for rediscount.

Q. 11. If a note has been made for a commercial purpose, does the fact that it is secured by pledge of collateral security make it ineligible?

A. No; provided it is otherwise eligible.

REDISCOUNTING A SIMPLE OPERATION.

Q. 12. Is not rediscounting very complicated?

A. No. Items intended for rediscount are listed on an application blank and forwarded to the Federal Reserve Bank, which gives credit on the day of receipt, and notifies the applying bank by telegram of the amount placed to its credit.

Q. 13. What information is a bank required to furnish concerning paper offered for rediscount?

A. In applying for rediscount the member bank lists the names of makers and indorsers, amounts, maturities, etc., and certifies that to the best of its knowledge and belief the paper has been used for a commercial or agricultural purpose.

Q. 14. How is the member bank to assure itself that the paper has been issued for such a purpose?

A. The knowledge of the officers will usually enable them to make the certificate, but if they are in doubt and the member bank has a financial statement of the borrower or an indorser engaged in business or agriculture, which shows a reasonable excess of quick assets over current liabilities, the statement may be taken as evidence that the paper has been issued for a commercial or agricultural purpose.

Q. 15. Must financial statements of borrowers be furnished when applying for rediscounts?

A. The regulation of the Federal Reserve Board requires that whenever a member bank has rediscounted or offers for rediscount at the Federal Reserve Bank obligations of one name to the extent of $5,000 or more (or in the case of banks having a capital of less than $50,000, a sum equal to 10 per cent of the paid in capital of the bank), it shall have in its own files a statement in respect to one of the names on the paper. The purpose of this requirement is to stimulate member banks to build up their credit files and to make it possible for them to get statements from borrowers who have heretofore been unwilling to give statements. No statements are required to be submitted to the Federal Reserve Bank with the application for rediscount, but the member bank indicates on its application all names in respect to which it has statements on file, and the Federal Reserve Bank, if it desires copies of any of these statements, will later ask for them. The Federal Reserve Board makes no requirements whatever regarding statements from the smaller borrowers.

Collections, Transfers, and Currency Shipments.

ECONOMICAL CHECK COLLECTION.

Q. 16. What service does the Federal Reserve Bank render in connection with the collection of checks and drafts?

A. The Federal Reserve Bank collects at par for member banks checks on 17,500 banks in all parts of the United States, including all national banks and a considerably larger number of State institutions, as shown in a par list furnished to all member banks.

Q. 17. Is there any charge for these services?

A. Until June 15, 1918, there will be a service charge of 1 cent per item, regardless of the size or place of payment. After that date this charge will be suspended and checks collected without any cost to the member bank.

Q. 18. When is credit given for checks collected in this way?

A. For checks on banks in the Borough of Manhattan, received before 9 o'clock a. m., immediate credit is given. Checks on Boston, Philadelphia, Richmond, Norfolk, and Baltimore, are available one day after receipt. For other checks in this and nearby districts, credit is given two days after receipt and checks on more distant points are credited four and eight days, respectively, after receipt.

Q. 19. How should checks be sent to the Federal Reserve Bank for collection?

A. In the same manner as remitted to other correspondents, except that they should be classified according to time of availability, i. e., one-day items listed together and totaled, two-day items, likewise, etc.

Q. 20. Can checks be sent direct to other districts or must they all be sent through the Federal Reserve Bank of New York?

A. Arrangements for direct sending may be made, in which case the checks are sent to the Federal Reserve Bank of the receiving district, as, for instance, banks in Buffalo having checks on banks of the Chicago district, can send these items direct to the Federal Reserve Bank of Chicago and receive credit with the Federal Reserve Bank of New York at the time the checks are due to be paid, this being accomplished by the Buffalo bank's sending a duplicate remittance slip to the Federal Reserve Bank of New York at the time of mailing the original remittance and items to the Federal Reserve Bank of Chicago. The moment the checks are collected in Chicago the funds automatically become reserve to the member bank in New York.

Q. 21. How are items on member banks in this Federal Reserve district handled?

A. Items drawn on a member bank are mailed to it, with remittance blank, and settlement made in either of two ways, viz:

(1) The member bank's account is charged two days after remittance has been forwarded, giving time for the items to reach the member bank and the member bank to forward exchange to cover, or

(2) The member bank, upon receipt of the items, forwards in payment draft on the Federal Reserve Bank or other funds available on the day of receipt, thus keeping the transactions separate from reserve account.

Q. 22. Suppose the member bank has not sufficient available exchange with which to make the remittance?

A. If the member bank has not sufficient exchange to meet the checks drawn upon it, forwarded to it through the Federal Reserve Bank, it may ship currency or specie from its own vaults at the expense of the Federal Reserve Bank.

Q. 23. What are the advantages of collecting checks and drafts through the Federal Reserve Bank?

A. (1) Greater economy in collecting these items and avoidance of the necessity of maintaining balances with correspondents in various cities in order to obtain check collection facilities.

(2) The most direct routing of items possible, with corresponding reduction in the length of time items are outstanding, which results in the elimination of float and enables member banks and their customers to learn at the earliest possible moment whether items have been paid or dishonored, and to have the funds represented earn interest more quickly.

Q. 24. You state that checks can be collected on 17,500 banks; will it not prove a disadvantage to member banks in this district that there are a number of banks on which checks can not be collected through the Federal Reserve Bank?

A. While there is a considerable number of banks upon which checks can not be collected, they are almost altogether the very small banks, upon which relatively few checks are drawn. It is probable that at least 95 per cent of the checks which a member bank would have, would be upon banks included in the Federal Reserve Bank's par list. This is particularly true in connection with checks received by member banks in this district, as checks can be collected at par on all banks in New England, in the Second Federal Reserve District, and on a very large proportion of banks in other neighboring districts. Moreover, banks which are collecting through the Federal Reserve Bank find that the items not so collectible are so few in number that the cost of collecting them is very small.

Q. 25. Would we be able to carry smaller and fewer balances with correspondents for collection purposes?

A. Undoubtedly. This has been the general experience of our member banks.

Q. 26. How large a volume of items does the Federal Reserve Bank handle in this manner?

A. The average number of items handled by the Federal Reserve Bank of New York has been as follows:

	Daily.
1915 (last 7 months)	7,259
1916	23,132
1917	53,368
1918 (first 4 months)	73,461
1918 (April)	82,984

COLLECTION OF NOTES AND BILLS OF EXCHANGE.

Q. 27. Does the Federal Reserve Bank collect notes and bills of exchange other than checks and bank drafts?

A. Yes. Drafts, notes, coupons, acceptances, etc., are collected without charge other than any exchange charge which may be made by the collecting bank. For items returning unpaid, an additional charge of 15 cents is made, the purpose of this charge being to prevent the clogging of our facilities with dunning drafts. No charge is made for collecting coupons other than expenses of registration and insurance or express, plus any charge made by the collecting bank.

MONEY TRANSFERRED WITHOUT CHARGE.

Q. 28. What advantages does the Federal Reserve Bank offer in the matter of transfer of funds?

A. The Federal Reserve Bank makes telegraphic transfers of funds to any part of the United States for its members absolutely without charge. For example, upon request from a member bank in Utica the Federal Reserve Bank of New York would wire the Federal Reserve Bank of Dallas to pay or credit to any of its members a specified sum, no charge being made for this service.

A member bank may also make its special drafts on the Federal Reserve Bank available for immediate credit at any other Federal Reserve Bank by advising the Federal Reserve Bank when such drafts are drawn. Its account is thereupon charged with the amount of the draft and the Federal Reserve Bank at which the draft is made payable is advised by telegraph where the amount is in excess of $250. The member bank is thus placed in position to obtain without cost and furnish to its customers exchange on any of the twelve Federal reserve cities at any time or season. These facilities are made possible by the gold settlement fund which the 12 Federal Reserve Banks maintain at Washington and through which they settle their obligations to each other by transfers on the books of the fund instead of actual shipments of currency or coin. The gold held in this fund amounted on May 17, 1918, to $418,000,000.

CURRENCY.

Q. 29. What must a member bank do to obtain Federal Reserve notes from the Federal Reserve Bank?

A. Federal Reserve notes in denominations of $5, $10, $20, $50, and $100 are shipped to member banks on request, by registered mail, insured, and the member bank's account charged with the face amount plus cost of shipment, as follows:

No. of bills.	Denominations.	Postage.	Registry.	Insurance.	Total cost.
1,000	5's	$1.44	$0.10	$0.30	$1.84
1,000	10's	1.44	.10	.60	2.14
1,000	20's	1.44	.10	1.20	2.74
1,000	50's	1.44	.10	3.00	4.54
1,000	100's	1.44	.10	6.00	7.54

Shipments of gold, gold certificates, silver certificates, and legal-tender notes may be made to the Federal Reserve Bank of New York either by express or registered mail for credit of the member bank's account or for exchange for Federal Reserve notes. We pay transportation charges on gold, gold certificates, and silver certificates, whether fit or unfit for circulation, and also furnish, free of expense, Federal Reserve notes in exchange.

Q. 30. In what amounts are Federal Reserve notes available?

A. The Federal Reserve Bank is not limited as to the amount of notes which it may issue, except by the provision that a 40 per cent gold reserve must be maintained against Federal Reserve notes in actual circulation.

The Federal Reserve Bank of New York now has in actual circulation approximately $500,000,000 of Federal Reserve notes. It maintains, ready for issuance, an additional supply of substantially the same amount, which assures member banks of an ample currency supply at all times.

Reserve Requirements and Reserve Balances.

RESERVE TO BE CARRIED BY MEMBERS.

Q. 31. What is the amount of the reserve which a member bank must maintain with the Federal Reserve Bank?

A. (*a*) If not in a reserve or central reserve city, 7 per cent of demand deposits and 3 per cent of time deposits; (*b*) if in a reserve city, 10 per cent of demand deposits and 3 per cent of time deposits; (*c*) if in a central reserve city, 13 per cent of demand deposits and 3 per cent of time deposits.

Q. 32. How are these reserves computed?

A. Formula for the computation of reserves is attached hereto.

Q. 33. What amount of reserve is a member bank required to maintain in its vault?

A. The Federal Reserve Act requires no stipulated vault reserve, leaving to the discretion of each institution the a mount of cash on hand or till money to be maintained.

RELATION TO STATE LAWS PRESCRIBING RESERVES.

Q. 34. How are the reserve requirements prescribed by State laws affected by the admission of a State bank or trust company to the Federal Reserve System?

A. In New Jersey a member bank becomes subject to the reserve requirements of the Federal Reserve Act instead of those of the New Jersey statutes. In New York a State bank or trust company continues to be subject to the requirements of the State law concerning reserve, but is permitted to count as "cash on hand" any part of its balance with the Federal Reserve Bank. In Connecticut the statute permits one-half the reserve required by State law to be carried in the Federal Reserve Bank.

RESERVE BALANCE CAN BE CHECKED ON.

Q. 35. Can a reserve balance carried with the Federal Reserve Bank be checked against?

A. Yes. An account maintained with the Federal Reserve Bank may be made as active as desired. It may be freely checked against and balances built up by deposits and remittances of checks and drafts, rediscounts, or shipments of currency made at the expense of the Federal Reserve Bank. Accumulated surplus funds in the account may be freely transferred to other banks or to other points in the United States by mail or telegraph without cost. In short, it may be treated practically the same as an account carried with any other correspondent. The Federal Reserve Bank figures the reserve a member bank is required to keep with it by taking the average balances maintained during the month; so that an excess balance during one part of the month willoffset a deficiency in another part.

OTHER SERVICES.

Q. 36. Will the Federal Reserve Bank check commercial paper for its member banks?

A. The Federal Reserve Bank will give to its members the benefit of such information as it has available or can obtain and properly divulge concerning commercial paper but does not consider it advisable to express an opinion as to the standing of any particular name.

Q. 37. Will the Federal Reserve Bank hold securities in custody for its members?

A. Yes. The Federal Reserve Bank is prepared to hold Government obligations or other securities in custody for member banks without charge.

Q. 38. What is the effect of membership in the Federal Reserve system upon a bank's right to obtain postal savings deposits?

A. The law now requires that new or additional postal savings shall be deposited with member banks only and State bank or trust company members are entitled to receive postal savings deposits on a par with national banks according to the plan of distribution of such deposits.

Objections to Membership.

Q. 39. Does membership in the Federal Reserve system have disadvantages for State banks and trust companies?

A. When the Federal Reserve Act was enacted it was the belief of many officers of State banks and trust companies that there were certain features of membership which would be disadvantageous to State banks or trust companies. Amendments have since been made which have eliminated practically all of these objections, and the opinion of those who have examined carefully into the matter is substantially as stated by the Guaranty Trust Company, in announcing its reasons for entering the Federal Reserve system:

"As the Federal Reserve Act stands to-day, practically every serious objection to membership, which was evident at the time the law was passed, has been removed * * *."

NO INTEREST ON BALANCES.

Q. 40. The Federal Reserve Bank pays no interest on reserve balances, does it?

A. No. The funds which the Federal Reserve Bank holds are reserve funds. If the Federal Reserve Bank were to pay interest on its funds, it would, of course, have to keep such a large portion of them invested in order to obtain earnings sufficient to cover the interest paid, that the purpose for which the fund was set aside would thus be defeated and the Federal Reserve Bank would have no greater credit making power than other banks and trust companies which have to invest most of their funds in order to pay interest on deposits.

The deposits held by the Federal Reserve Bank are the ultimate reserves of its members, and must be kept instantly available where and when needed.

OFFSETS TO LACK OF INTEREST ON BALANCES.

Q. 41. Would not the loss of interest incident to membership be more than a State bank or trust company could afford to pay to obtain the privileges of membership?

A. The experience of many State banks and trust companies which are now members of the system demonstrates that the apparent loss of interest can be offset in large part, or even entirely, by savings and added profits in other ways made possible by membership. Among these are the following:

1. The deposit with the Federal Reserve Bank can, in practically all cases, be made in part from cash held in vault which is not at present drawing interest. This is possible for the reason that the Federal Reserve Bank can be depended on to furnish currency at any time at a moment's notice, and that a member bank in New York and New Jersey is not obliged to maintain excess vault reserves in order to be certain of not falling below the minimum prescribed by the State laws. A member bank in New Jersey is subject only to the reserve requirements of the Federal Reserve Act, which do not require reserve in vault. A member bank in New York is permitted by law to count balances with the Federal Reserve Bank as cash on hand. For example, officers of a country bank in New York, now a member of the system, state that prior to membership they were obliged to maintain vault reserves running as high as $500,000 in order to avoid falling below the legal requirement for cash in vault of $250,000. Their vault cash therefore averaged about $350,000. As members of the system it will average about $200,000, ranging from $125,000 to $300,000, these amounts being ample to meet its demands for cash, the wide fluctuation being due to pay-roll requirements. It therefore estimated that of a reserve of less than $400,000 required to be carried with the Federal Reserve Bank, about half could be transferred from vault and therefore represented no loss of interest whatsoever.

2. By using the check collection facilities of the Federal Reserve Bank the State bank or trust company member is enabled to accomplish considerable savings in two ways:

(*a*) Balances carried with correspondents at various points solely for the purpose of getting checks collected can be closed and the balances utilized for loaning. This course is obviously desirable as, with practically all its checks collected without cost through the Federal Reserve Bank, the member is able to effect a very considerable saving by the utilization of balances which have had to be maintained in amounts sufficient to pay for the collection of its checks through channels which are indirect and sometimes expensive.

(*b*) Checks can be collected through the Federal Reserve Bank in the shortest possible time, indirect routing being avoided. Thus the funds represented become available and earnings begin much more quickly than is the case where more indirect methods of collection are used. For example, the State institution mentioned above estimates that it sends out daily about $200,000 in checks and drafts and that by using the Federal Reserve collection facilities it receives returns on these items one day sooner than through its former collection channels. This saving is, therefore, equivalent to at least 2 per cent interest on $200,000 and completes the offset to the apparent loss of interest on the balance carried with the Federal Reserve Bank.

3. Under present conditions a member bank is able to borrow at the Federal Reserve Bank at rates usually substantially lower than those obtainable from correspondents. This is of particular importance in relation to borrowing for the purpose of assisting the Government in Liberty loan financing and in purchasing certificates of indebtedness.

4. But perhaps the most important offsetting advantage is the fact that many member banks feel that they can safely carry substantially lower excess reserves and invest a considerable part of present excess reserves in additional loans to customers or in commercial paper, which, being eligible for rediscount at the Federal Reserve Bank, is in the nature of reserve. Additional income thus obtained will, in many cases, pay amply for the loss of interest on reserve deposits. Many institutions which as nonmembers felt that they must carry considerably more than the legal requirement as an emergency reserve, now feel that membership in the Federal Reserve Bank is their emergency reserve and that they are free to invest most of their former emergency reserve in paper immediately available at the Federal Reserve Bank.

The following is an illustration taken from the actual figures of three country member banks in New York State differing in size and in nature of deposits, and is quite typical of other institutions of which we have knowledge.

	Trust company.	Trust company.	State bank.
(*a*) Net demand deposits	$2,493,000	$2,427,000	$785,000
(*b*) Net time deposits	7,567,000	1,876,000	117,000
(*c*) Due from banks at time of joining	642,000	461,000	99,000
(*d*) Cash in vault at time of joining	334,000	166,000	39,000
(*e*) Reserve required to be carried with Federal Reserve Bank	401,000	226,000	58,000
(*f*) Interest at 2 per cent on this amount	8,000	4,600	1,200
If the business of these banks justified them in carrying only the legal reserve and they could invest their former excess reserves (*c*–*e*) at 6 per cent, they might make the following offsets to loss of interest (item *f*)	[1] 9,600	[2] 9,400	[3] 1,600
Possible profit from membership	1,600	4,800	400

[1] $241,000 at 4 per cent. [2] $235,000 at 4 per cent. [3] $46,000 at 4 per cent.

Qualifications and Requirements for Membership.

WHAT BANKS ARE ELIGIBLE.

Q. 42. What banks are eligible for membership in the Federal Reserve system?

A. Any bank incorporated by special law of any State, or organized under the general laws of any State, which has a paid-up, unimpaired capital stock as follows, is eligible for admission to membership:

In cities or towns not exceeding 3,000 inhabitants, $25,000.

In cities or towns exceeding 3,000 but not exceeding 6,000 inhabitants, $50,000.

In cities or towns exceeding 6,000 but not exceeding 50,000 inhabitants, $100,000.

In cities exceeding 50,000 inhabitants, $200,000.

Q. 43. What tests are applied in considering the application of a State bank or trust company for membership?

A. (1) The financial conditions and character of the management of the applying institution is considered.

(2) Whether the powers exercised by it are consistent with the Federal Reserve Act.

(3) Whether the laws of the State in which the applying bank or trust company is located contain provisions likely to prevent proper compliance with the provisions of the Federal Reserve Act. The present laws of New York, New Jersey, and Connecticut do not contain any such provisions.

DEPRECIATION OF BOND INVESTMENTS.

Q. 44. What is the attitude of the Federal Reserve Bank and the Federal Reserve Board relative to depreciation in market values of stock and bond investments?

A. A reasonable attitude is taken regarding depreciation in market values. Wherever heavy depreciation is shown the applying banks are requested to charge off a reasonable amount of the depreciation, say about 20 per cent, and to agree to make further annual reductions until the book and market value of the securities are more nearly in accord.

A STATE BANK OR TRUST COMPANY RETAINS ITS FULL POWERS.

Q. 45. If a State bank or trust company becomes a member of the Federal Reserve system can it continue to exercise the powers granted it by its State laws or charter?

A. The Federal Reserve Act and the regulations of the Federal Reserve Board provide that a State bank or trust company, while a member of the Federal Reserve system, shall retain its full charter and statutory rights as a State bank or trust company, subject to the provisions of the Federal Reserve Act and to the regulations of the Federal Reserve Board relating to all members, national and State alike, including any conditions embodied in the certificate of approval.

WITHDRAWAL FROM MEMBERSHIP PROVIDED FOR.

Q. 46. Can a State bank or trust company member withdraw from the system?

A. Yes. Any State bank or trust company desiring to withdraw from membership in the Federal Reserve Bank may do so after six months' written notice shall have been filed with the Federal Reserve Board.

Q. 47. Is there not a provision that no Federal Reserve Bank, without authority of the Federal Reserve Board, may cancel within the same calendar year more than 25 per cent of its capital stock for the purpose of effecting voluntary withdrawals during that year?

A. Yes. In the case of the Federal Reserve Bank of New York, however, this qualification is not of great importance for the reason that the proportion of its stock held by State banks and trust companies is less than one-third of its total stock, so that all of its State bank and trust company members could retire within two calendar years.

REPORTS AND EXAMINATIONS.

Q. 48. Does a State bank or trust company which is a member of the Federal Reserve system make reports to the Comptroller of the Currency, or is it subject to examination by the Comptroller of the Currency?

A. No. State banks and trust companies which are members of the system are not in any way under the jurisdiction of the Comptroller of the Currency. They are required to make in each year not less than three reports of condition and of the payment of dividends to the Federal Reserve Bank of their district, the dates to be fixed by the Federal Reserve Board. No publication of these reports is required.

Q. 49. What examinations would a State bank or trust company member be subject to?

A. They are subject to examinations made by direction of the Federal Reserve Board or of the Federal Reserve Bank by examiners selected or approved by the Federal Reserve Board, but, in order to avoid duplication, examinations made by the State authorities included in this district are accepted by the Federal Reserve Bank, so that except as noted in the next succeeding answer no special examinations are made and member banks are not subject to additional expenses for examinations.

Q. 50. Then membership would not involve extra examinations?

A. No. The Federal Reserve Bank may, of course, at any time make a special examination but should it be deemed necessary to have its examiner visit a member bank, the examination would usually be made in cooperation with the State examiner at one of the latter's regular examinations.

NO LIMITATIONS ON LOANS.

Q. 51. Is a State bank or trust company member limited in the amount which it may lend to any one borrower?

A. No. It is governed in this particular solely by the provisions of the State laws or its charter. The Federal Reserve Act does provide, however, that a Federal Reserve Bank may not rediscount the note of a person or corporation which is indebted to a member bank for more than 10 per cent of the latter's capital and surplus.

INTERLOCKING DIRECTORS.

Q. 52. Is a State bank or trust company which is a member of the system liable to the provisions of the Clayton Act?

A. The status of a State bank or trust company, with relation to the provisions of the Clayton Act, is not in any way altered by its becoming a member of the Federal Reserve System.

PROCEDURE IN APPLYING FOR MEMBERSHIP.

Q. 53. What is the procedure in applying for membership?

A. The steps to be taken are:

1. Adoption by the board of directors of a resolution making application for stock in Federal Reserve Bank (Form 83a).

2. Formal application for the requisite number of shares, agreement to pay for same and to comply with requirements of Federal Reserve Act, etc. (Form 83a).

3. The following three exhibits are to be attached to application:

Exhibit 1.—A statement of condition as of given date signed by three directors and duly certified by cashier or secretary.

Exhibit 2.—A copy of charter or articles of incorporation of the corporation with amendments.

Exhibit 3.—A statement containing certain supplementary information (supplement to F. R. B. Form 83a).

STOCK SUBSCRIPTION.

Q. 54. How much stock of the Federal Reserve Bank is a member bank required to purchase?

A. A member bank is required to subscribe for stock of the Federal Reserve Bank equal to 6 per cent of its own capital and surplus, and make payment at once for half of the amount of the subscription.

Q. 55. What dividends does the stock pay?

A. The law provides that member banks shall be entitled to cumulative dividends at 6 per cent per annum upon the amount of their paid-up stock of the Federal Reserve Bank. The Federal Reserve Bank of New York has paid dividends in full up to December 31, 1917, and is now earning currently an amount far in excess of its dividend requirements.

Q. 56. At what rate is payment for stock made?

A. At half of the par value, plus interest at ½ per cent per month from the date of the last dividend. The unpaid portion of the subscription is payable upon call by the Federal Reserve Board.

COMPUTATION OF RESERVE TO BE CARRIED WITH THE FEDERAL RESERVE BANK BY MEMBER BANKS.

DEMAND DEPOSITS.			
1. Deposits, other than United States Government deposits, payable within 30 days			$......
2. Balances due to banks, other than Federal Reserve Banks		$........	
Less:			
3. Balances due from banks, other than Federal Reserve Banks	$........		
4. Items with Federal Reserve Bank in process of collection	$........		
5. Checks on other banks in the same place	$........		
6. Exchanges for clearing house	$........		
Total deduction (items 3, 4, 5, and 6)		$........	
7. Net balance due to banks [1]			$........
8. Total demand deposits (items 1 and 7)			$........
TIME DEPOSITS.			
9. Savings accounts (subject to not less than 30 days' notice before payment)		$......	
10. Certificates of deposit (subject to not less than 30 days' notice before payment)		$........	
11. Other deposits payable only after 30 days		$........	
12. Postal savings deposits		$........	
13. Total time deposits (items 9, 10, 11, and 12)			$.....
RESERVE REQUIRED.			
Banks in central reserve cities, 13; reserve cities, 10; elsewhere, 7 per cent of demand deposits (item 8)		$........	
3 per cent of time deposits (item 13)		$........	
Total reserve to be maintained with Federal Reserve Bank			$......

[1] Should the aggregate "due from banks" (items 3, 4, 5, and 6) exceed the aggregate "due to banks," both items must be omitted from the calculation.

Foreign Exchange Regulations.

The following new regulations relating to foreign exchange have been sent to Federal Reserve Banks:

(1) INSTRUCTIONS FOR DISTRIBUTION TO DEALERS IN FOREIGN EXCHANGE.

"Dealers," as defined under the Executive order, are prohibited, without the approval of the Division of Foreign Exchange of the Federal Reserve Board, from acting upon confirmations of cablegrams which may be received by them, wherein the original cablegram in part or in whole has never been delivered to them.

All confirmations of cables sent by "dealers" to correspondents or others outside of the United States, covering a transfer of funds or other financial operation, must be written upon separate sheets of paper, which must not carry any other correspondence, and must be delivered unsealed, but stamped, ready for mailing, to the Division of Foreign Exchange, 14 Wall Street, New York, when the confirmations are to go from the eastern seaboard, or cover cablegrams leaving this country by the eastern seaboard; to the Federal Reserve Bank of San Francisco when confirmations are of cablegrams leaving this country via the western seaboard; to the Federal Reserve Bank of Dallas when the confirmations are of cablegrams leaving this country via Galveston; and to the New Orleans branch of the Federal Reserve Bank of Atlanta when the confirmations are of cablegrams leaving this country via New Orleans. Any confirmations which may be discovered by the postal censorship in the body of other letters, or that have been otherwise mailed than as above, will be forwarded to the Division of Foreign Exchange of the Federal Reserve Board for such action as may seem advisable.

"Dealers" having the accounts of foreign correspondents on their books are prohibited from accepting credits to such accounts which are not accompanied by the name of the party making the original request that the deposit be made, and by the name of the party to whom the foreign institution receiving the credit is to pay the funds, and for whose account such payment is made, and the purpose of the deposit must also be stated.

It is important that this order be noted by all bankers, institutions, individuals, or others in the United States, without regard to whether they are "dealers" or not.

This information will be required in addition to the regular customers' statement.

If, for instance, a firm in Peoria, Ill., is requested by an individual to pay a bank in New York $1,000 for account of a bank in Sweden, the firm must obtain from such individual the required information, which it must deliver to its banker in Peoria through whom it wishes to make the transfer, and such banker, if he carries out the operation through his Chicago or New York correspondents must forward the information with the instructions, which must follow the deposit to the New York bank which is to credit the account of the Swedish bank. All such information must be on a separate sheet of paper, which must be initialed by every institution through which it goes, and that must be delivered to the Division of Foreign Exchange of the Federal Reserve Board, 14 Wall Street, New York, by the banker crediting the item to the foreign institution.

Deposits received for the credit of dollar accounts of foreign correspondents on the books of American "dealers" from "persons," as defined in the Executive order, outside of the United States must bear the same information, and "dealers" should notify their foreign correspondents that when arranging to have deposits made in this country for their account that such information must follow the deposit.

67747—18——6

"Dealers" who are concerned with this order should forward these instructions immediately to such of their foreign correspondents as carry dollar accounts with them.

In the meantime, while such notices are going forward, copies of the statements of the credits to foreign correspondents must be delivered to the Division of Foreign Exchange weekly, beginning June 25, in accordance with regulations going forward to the Federal Reserve Banks. The operation of this order, in so far as it relates to deposits made by "persons" in the United States, becomes effective June 15, but "dealers" may retain deposits made with them, while obtaining the proper information, until the order becomes generally known, unless otherwise instructed, but can not enter such credits after June 15, except to a suspense account, nor advise the beneficiaries, either by mail, cable, or otherwise, until receipt of the information, which must be immediately turned over to the Division of Foreign Exchange.

In case any "person" or "dealer" has reason to believe that any transaction of this nature is for the account or benefit of an enemy or ally of enemy, he must notify the Division of Foreign Exchange directly by mail or wire, as the urgency of the matter would seem to require.

There are now over 12,000 "dealers" in foreign exchange registered in the United States. Under the Executive order they have all been obliged to send forms for declaration of nonenemy interest to all of their foreign correspondents. The Federal Reserve Board has not yet prohibited "dealers" from doing business with foreign correspondents who have not returned the declarations. The time has been allowed to run longer than was originally intended, because of the great delay in the mails and the desire of the Federal Reserve Board not to interfere with the legitimate business of the country unnecessarily. Further, a sufficient proportion of declarations has been received to warrant, together with the information constantly being received through the research department, the temporary continuation of business with some of those institutions which have not yet returned their declarations. It should be noted, however, that the day is fast approaching when the nonreceipt of declarations will result in the necessity for the discontinuance of relations, and every "dealer" is warned that he should immediately take up the question with any of his correspondents whose declarations have not yet been received.

All declarations of foreign correspondents should be filed with the Division of Foreign Exchange of the Federal Reserve Board immediately upon receipt. "Dealers" are also requested to advise the Division of Foreign Exchange by letter of all foreign correspondents to whom they have sent declarations which have not been returned, or where cable advice that they were being sent has not been received by the close of business June 20.

There has been some doubt on the part of "dealers" as to just when they should require "customers' statements." This has been particularly true as between "dealers" trading with each other. Customers' statements, which are merely declarations of nonenemy interest, which have to be made by "persons" in this country having foreign exchange operations with "dealers," must be taken by every "dealer" from every person who is not a "dealer" when any foreign exchange service is being extended. In other words, the "dealer" having contact with the "person" who is not a "dealer" is the party who must take the customers' statement. Such statements do not follow the items, but must be filed by the "dealer" receiving them, subject to the call of the Federal Reserve Board at its discretion.

As "dealers" receiving items from other "dealers" have no means of determining whether such "persons" are "dealers," authority has been granted by the Board to accept the censorship stamp of "dealers" upon letters of advice or inclosure from one "dealer" to another as being sufficient evidence that a customers' statement has been obtained.

Every "dealer" is responsible to the Federal Reserve Board for the taking of customers' statements and not to other "dealers" through whom he may be passing transactions, except that any "dealer" who has reason to believe that any transaction may be for account or benefit of an enemy or ally of enemy may make inquiry of the "dealer" who places the transaction through him. If satisfactory answer is not received, the Division of Foreign Exchange of the Federal Reserve Board should then be notified immediately.

The same means of identification may be passed from one "dealer" to another in connection with items received from abroad. The responsibility for obtaining declarations from foreign correspondents and from holders or from agents of holders of securities, and in connection with coupon and dividend payments, has been placed entirely upon the "dealer" receiving the items from the foreign countries. It is not the duty of payers of dividends or coupons, nor of others in the United States who receive such items from "dealers" to require declarations. If, however, they have information which leads them to believe that a transaction is for enemy account, it is their duty to withhold payment and notify the Division of Foreign Exchange.

(2) THE CONTROL OF LIRE EXCHANGE.

The following letter has been sent to the governor of each Federal Reserve Bank:

DEAR SIR: It has become necessary to take charge of the lire exchange rate in New York in so far as conditions make it possible to do so.

While the rate for lire in other cities is based upon the New York rate, yet it is very probable that some of the dealers in your district may require information as to how to protect your customers, and themselves, when purchasing bills of exchange covering exports from the United States to Italy.

We therefore inclose herewith a memorandum outlining the situation in so far as it has developed.

Very truly, yours,

F. I. KENT,
Director Division of Foreign Exchange.

The memorandum referred to is as follows:

The Government of Italy has formed an institute of exchange, through which all of its foreign exchanges have to pass. The United States Treasury Department has made an arrangement with the Italian Government under which certain transactions in lire must come before the representative in New York of the Italian institute and the Division of Foreign Exchange of the Federal Reserve Board for approval. Such transactions, for the moment, only cover commercial bills of exchange for exports from the United States to Italy that represent funds American banks might wish to dispose of to the institute, which expects to enter the New York market as a buyer of lire. The institute may also be a seller of lire from time to time. Exchange transactions with the institute should preferably be handled through regular foreign exchange brokers.

The methods under which the institute will operate are as follows:

Between 10 and 10.30 o'clock every morning the representative of the institute and a representative of the Federal Reserve Board will meet in the offices of the Division of Foreign Exchange, Federal Reserve Board, Room 608, 14 Wall Street, New York, to pass upon the eligibility for purchase by the institute, of the proceeds of bills of exchange covering exports from the United States to Italy. Presentation of bills must be made by letter in triplicate or, in case of necessity, by telegraph. All bills require the approval of both the representative of the institute and a representative of the Federal Reserve Board. The institute will not purchase the bills themselves, but will make offers for the proceeds of approved bills to dealers in the United States buying them. If the rate is accepted, the dealer, upon arrival of the exchange in Italy, must arrange with his correspondent for deposit of the proceeds in lire with the Bank of Italy, Rome, to the credit of the representative of the institute in New York City. Upon receipt of the lires in Italy by the Bank of Italy, it will wire the representative in New York of the institute to make payment in dollars, for the equivalent of exchange purchased at the rate agreed upon.

In this manner American dealers in lire exchange can continue their purchases from their customers as in the past and handle their bills directly through their Italian correspondents. Until otherwise instructed, they are not obliged to offer any lire exchange to the institute in New York, but if they prefer may sell the proceeds of such bills as they may purchase to American dealers or others who may be buyers.

Some American dealers have issued letters of credit for account of Italian banks, under which such dealers have agreed to make payment upon presentation of documents for shipments of goods to Italy, with the understanding that cable advice be sent to the Italian bank which will cover the amount so paid out in dollars by cable. On all such transactions advice by letter in triplicate, or by telegraph (as the necessities of the case require) should be sent to the Division of Foreign Exchange, Federal Reserve Board, 14 Wall Street, in order that the application of the Italian bank for dollars to meet such payment may be passed upon by the representative of the institute and the Federal Reserve Board.

At present dealers in the United States are prohibited from trading with each other in lire exchange under 9.10 basis for cables. The rate in the New York market will reflect this restriction while the order lasts, but dealers in lire in other cities should be advised that they can not trade between each other at any lower rate than 9.10 for cables until otherwise advised. The purchase of lire exchange from persons, as defined in the Executive order, outside of the United States, can not be made without first obtaining the approval of the Division of Foreign Exchange.

At the moment no further restrictions have been placed upon trading in lires. Dealers can buy from their customers and sell to their customers as they have been doing until otherwise instructed, except that cable transfers can not be sold under the rate of 9.10.

It must be clearly understood that the Federal Reserve Board does not guarantee a continuation of the Italian Institute in the market for the purchase of lire, nor does it guarantee any transactions which American dealers may undertake with the Italian Institute. In other words, dealers when operating with the Italian Institute are doing so at their own risk exactly as would be true in case they were dealing with Italian bankers.

(3) FOREIGN PAYMENTS.

(War Trade Board resolution of June 20, 1918.)

Whereas the "Memorandum between the War Trade Board and the Government of Switzerland relating to exports from the United States to Switzerland," dated December 5, 1917, provides that the distribution of the articles, commodities, material, and substances described in the schedules thereto annexed shall be subject to the condition that such distribution must in every case be made pursuant to the rules and statutes of S. S. S.; and

Whereas there is contained in Article 3 of the statutes of the said S. S. S. a provision as follows:

"No firm appearing in the Register of Commerce can, by reason of the nationality of the heads, partners, members, or stockholders, be excluded from the benefit of receiving commodities from the S. S. S., excepting, however, foreign houses registered since July 1, 1914, and foreign houses not appearing in the Register of Commerce. In respect of these two classes there is reserved to the S. S. S. the right to examine the facts of each particular case after having conferred with the three Governments which participated in the creation of the S. S. S."; and

Whereas because of the facts herein recited individuals, firms, or corporations who are within the category of "enemies" under the trading with the enemy act, may in certain cases be entitled to receive and pay for commodities imported into Switzerland from the United States.

Therefore be it resolved that (subject to all conditions herein enumerated) a general license is hereby granted to any persons, firms, or corporations in the United States to trade (by exporting merchandise to such "enemy" persons, firms, or corporations and by receiving payment therefor) with, for, or on account of such "enemy" persons, firms, or corporations as by the terms of said Article 3 of the statutes of the S. S. S. may not be excluded from the benefit of receiving commodities from the S. S. S.

This license shall be subject to each of the following conditions:

A. That the exportation or shipment of any such merchandise out of the United States shall be authorized by a duly issued export license.

B. That such payments shall be made to the person, firm, or corporation in the United States entitled thereto only through a dealer duly licensed by the Federal Reserve Board pursuant to the Executive order of January 26, 1918.

C. That such trading be limited to the delivery to such "enemy" of commodities or articles enumerated in the several schedules annexed to said memorandum of December 5, 1917, subject to the conditions of said memorandum, and the receipt of payment therefor.

D. That prior to receipt of payment by the person, firm, or corporation in the United States, a certificate shall be issued in duplicate either by the S. S. S. or by a dealer duly licensed by the Federal Reserve Board pursuant to the Executive order of January 26, 1918, or by a foreign correspondent of such dealer who has signed the declarations required to be signed by said order, certifying that such "enemy" person, firm, or corporation is entitled to receive and has received or will receive delivery of said commodity pursuant to the provisions of said Article 3 and specifying the description, character, and value thereof, and stating that no other certificate has been issued covering the same transaction.

E. That the person, firm, or corporation in the United States receiving payment or engaging in said transaction shall retain one of said duplicate copies and forward the other copy to the Federal Reserve Board for filing.

RUPEE EXCHANGE.

The following letter was sent by the Governor of the Federal Reserve Board to a Federal Reserve Bank under date of June 24:

The Board has been advised that the Secretary of the Treasury has made arrangements for a supply of rupee exchange sufficient for an indefinite period, to finance such imports from India as may be required for civil or military purposes of importance in connection with the prosecution of the war. The Secretary desires that the sale of rupee exchange for these purposes be administered as heretofore through the Federal Reserve Board, the price to be 35.73 cents per rupee for telegraphic transfers.

I am informed that the arrangement made between the Secretary of the Treasury and the British Government in relation to the sale of silver under the Pittman Act contains a provision whereby the Government of Great Britain undertakes to arrange for the opening of rupee credits in New York at the rate—with respect to telegraphic transfers—of 35.73 cents of United States money for each rupee. It is deemed important that the price of rupee credits in New York should be on the exact mathematical equivalent of the London price, in order that the American merchants may be in exactly the same position as London merchants, with respect to rupee exchange. * * *

In view of the arrangement made by the Treasury, the Board will limit the sale of telegraphic rupee transfers, regardless of the origin of the credit which it is drawn against, to (*a*) imports reasonably required for civil or military purposes of importance in connection with the prosecution of the war; and (*b*) to a price not exceeding 35.73 cents.

There will be, of course, no objection to banks purchasing commercial bills on India at such price below 35.73 cents as will yield them a fair remuneration for the labor and risk involved in the business. An exception may properly be made for small rupee bills drawn for noncommercial purposes. If recommended by the director of the Division of Foreign Exchange, the Board would be willing to place a limit of, say, 1,000 rupees on the amount that can be sold regardless of the above restrictions, but only if the credit is used for purposes other than commercial.

AGREEMENTS WITH FOREIGN COUNTRIES.

The following letter was sent by the Secretary of the Treasury, under date of June 12, 1918, to the President of the United States Senate:

SIR: In response to the resolution adopted by the Senate of the United States on the 13th day of May, 1918, calling upon the Secretary of the Treasury for certain information, the following is respectfully submitted:

I. Agreements have been made with certain neutral countries in Europe and with countries in South America and elsewhere involving financial considerations and tending to protect the value of the American dollar. Agreements involving like considerations are in process of negotiation in other countries, and in certain neutral countries steps have been taken to provide for payments required therein preliminary to the institution of negotiations. The amount of balances of neutral nations held by banks, trust companies, and bankers in the United States can probably be ascertained and stated with approximate accuracy as of about May 13, 1918. However, I am directed by the President to say that, in his judgment, it would be incompatible with the public interest to make a public record at this time of the terms of such agreements already made or in process of negotiation, or of the other steps that have been taken or are in contemplation to protect the value of the American dollar, or of the amount of balances of neutral countries in the United States, because chiefly of the very great value such information would be to the enemy.

II. I have given directions to have compiled, so far as the Federal authority can be exercised and the same can be made available, figures to show the amount severally of commercial and financial bills payable in terms of the currency of the neutral nations of Europe which have been bought and sold severally by the member banks of the Federal Reserve system and other banks and banking houses dealing in foreign exchange in the city of New York from January 1 to April 1, 1918, and the amount of profit in such transactions. It will take some time to compile this data, but as soon as it is obtained I shall furnish it. I am not at present able to state just how completely or accurately this information can be obtained.

Respectfully submitted.

(Signed) W. G. McADOO.

Following is a sample of the form of inquiry into foreign exchange operations that has been sent to banks:

Profits or losses, first quarter 1918—Exchange purchased and sold—European neutral countries.

Classification.	Purchases.		Sales.		Gross profit or loss.	Deductions.		Profit after deductions.	Taxes.	Net profit or loss.
	Foreign currency.	Dollars.	Foreign currency.	Dollars.		Discount long bills, interest, commission, etc.	Overhead charges.			
DENMARK.										
Portion of 1917:	*Kr.*		*Kr.*							
Balance used[1]	14,662.63	4,655.39								
Financial bills			2,778.70	937.98						
Commercial bills	781.38	242.23	12,665.31	4,337.03						
Unsold balance										
Purchased during period										
Total	15,444.01	4,897.62	15,444.01	5,274.01	376.39			376.39		376.39
SWITZERLAND.										
Portion of 1917:	*Fcs.*		*Fcs.*							
Balance used										
Financial bills	100,000.00	22,402.71	47,437.33	10,664.28						
Commercial bills	467.05	103.77	40,234.67	9,039.14						
Unsold balance purchased during period			12,795.05	[2] 2,975.60						
Total	100,467.05	22,506.48	100,467.05	22,679.02	172.54			172.54		172.54

[1] Figured at 31¾.

[2] Figured at 4.30.

Capital Issues Committee Rules and Regulations.[1]

[All communications intended for the committee must be addressed to "Capital Issues Committee, National Metropolitan Bank Building, Washington, D. C."]

1. *The act.*—The War Finance Corporation Act authorizes the Capital Issues Committee, under rules and regulations to be prescribed by it from time to time, to investigate, pass upon, and determine whether it is compatible with the national interest that there should be sold or offered for sale or for subscription any issue, or any part of any issue, of securities issued after April 5, 1918, by any person, firm, corporation, or association, the total or aggregate par or face value of which issue and any other securities issued by the same person, firm, corporation, or association since the said date may be in excess of $100,000. Shares of stock of any corporation or association without nominal or face value are deemed to be of the face value of $100 each.

Any securities which upon April 5, 1918, were in the possession or control of the corporation, association, or obligor issuing the same, shall be deemed to have been issued after that date.

The term "securities" as used herein includes stock, shares of stock, bonds, debentures, notes, certificates of indebtedness, and other obligations.

The committee is not authorized to pass upon (1) any borrowing by any person, firm, corporation, or association in the ordinary course of business as distinguished from borrowing for capital purposes; (2) the renewing or refunding of indebtedness existing upon April 5, 1918; (3) the resale of any securities, the sale or offering of which the committee has determined to be compatible with the national interest; (4) any securities issued by any railroad corporation, the property of which may be in the possession and control of the President of the United States; or (5) any bonds issued by the War Finance Corporation.

Nothing done or omitted by the committee under the act shall be construed as carrying the approval of the committee or of the United States of the legality, validity, worth, or security of any securities.

2. *Object of the committee.*—The object of the creation of the committee is to assist in the conservation of financial resources, labor, and material, so that they may be available for uses essential to the prosecution of the war.

The necessity of such conservation has often been made known and the Government has adopted various methods of accomplishing it, one of the most important of which is through the regulation of the issue of securities. In order that this method may be pursued with due regard to the requirements of the National Government, as well as to private interests, Congress has created the "Capital Issues Committee." In order to perform its duties and fulfill its responsibilities in the fairest and most effective manner, the committee has prescribed these rules and regulations, not only establishing forms for procedure, but also defining general principles of construction and policy which it will apply equally and uniformly throughout the United States.

3. *Interpretation of the act.*—The provisions of the act applying to the committee will be interpreted by it in a manner to enable the committee to perform its duties in

[1] Created by act of Congress known as the War Finance Corporation Act, approved April 5, 1918.

a broad and comprehensive manner, in accordance with the intent of Congress. These provisions may be considered with respect to (*a*) the classes of securities, (*b*) the classes of persons and corporations issuing securities, and (*c*) the classes of financial transactions involved in the issue of securities which come within the scope of the act.

With regard to (*a*), the description of securities is the broadest possible, and includes every class of securities that can be issued and sold or offered for sale or subscription, whether the issue is made by an existing corporation or other issuing principal or by one organized or created after the passage of the act. The form or length of time for which notes or other securities are to run is not any criterion. Original issues of stock and securities are included as well as all increases thereof.

With regard to (*b*), the act applies to every class of person, association, and corporation which can issue securities, whether now existing or hereafter created or organized.

With regard to (*c*), there are several classes of financial transactions which do not come within the province of the committee, to wit:

(1) Borrowing in the ordinary course of business as distinguished from borrowing for capital purposes;

(2) Renewing or refunding indebtedness existing on April 5, 1918; and

(3) The sale of securities up to but not exceeding $100,000 in amount since April 5, 1918.

In construing these exceptions, the nature of the transaction and not the form of security is to govern.

Borrowing in the ordinary course of business is usually done for seasonal requirements, through bank loans, advances, or through the issue of short-time notes, but borrowing may be done in the same manner for capital purposes, and in such cases bank loans, advances, or short-time notes come within the province of the committee.

As to securities issued to refund or renew indebtedness existing on April 5, 1918, the committee construes the act to mean that in the opinion of Congress the issue of such securities is compatible with the national interest, and that the committee is not to pass upon the same for the purpose of determining that fact. But before any such issue is made application should be made to the committee, stating the amount of the indebtedness existing on the said date and the amount of securities necessary to renew or refund the same. The committee being satisfied on these two points will pass the issue as a matter of course. This procedure is designed to give refunding securities the official sanction to which they are entitled and to save investors desiring to purchase them from the burden of making unnecessary investigation. It is not intended to extend the jurisdiction of the committee beyond the limits defined by the act. The finding given by the committee on refunding issues, for the sake of convenience, will be in the same form as used for other issues (see par. 21 hereof), unless some different form is requested by the applicant. It will be understood, however, that the expression that such issues are not incompatible with the national interest is made by the committee in execution of the congressional intent, and is not an independent determination of the committee in excess of its authority.

With respect to the limitation of $100,000, it is to be observed that after an issuing principal has issued securities of all classes amounting to $100,000 since April 5, 1918, all future issues of any amount come within the province of the committee. The committee, however, does not pass upon issues of $100,000 or less, unless a district committee for special reasons shall recommend action by the committee. In case a district committee should feel that an issuing principal is resorting to successive small issues for the purpose of evading the spirit of the act, the matter should be brought to the attention of the committee.

It should be remembered, however, that the reasons for conserving capital for war purposes apply always, whether the amounts involved are large or small, and while it is wholly impracticable for any governmental agency to pass upon all issues of securities separately, the principles involved affect all alike. Patriotic citizens should not permit capital under their control to be wasted or used for any purpose not contributory to the prosecution of the war, no matter how small the amount, and they should be even more diligent when they must decide for themselves without the benefit of specific advice from the Government.

4. *States and subdivisions thereof.*—In defining the issues of securities which the committee was authorized to investigate and pass upon, Congress did not in express terms refer to States, counties, or municipalities. The reason for this omission is presumed to be because Congress did not wish even indirectly to appear to regulate the affairs of the sovereign States. On the other hand, Congress did not forbid the committee to pass upon such issues, and it is so obvious that the purpose and object of the act of Congress will not be effective to a very large extent unless the committee does so, the committee will entertain and act upon the applications of States and all subdivisions.

With respect to the position of the States and subdivisions, the committee for convenience, repeats the views it has expressed in response to many official inquiries, as follows:

The purpose of the act of Congress is clear—to conserve national resources. Its appeal is addressed to all patriotic citizens, in whatever capacity they may be acting. All are expected to cooperate in giving effect to the act "for the purpose of assisting in the prosecution of the war." The same reasons and the same inducements applicable to the officers of private corporations and to individuals in their private capacity apply with even greater force to the officers of States, counties, and municipalities, and they should be the leaders in the national effort to conserve resources. Every issue of bonds and securities of States and all subdivisions should be submitted to the committee before being sold or offered for sale.

GENERAL POLICIES.

5. *War work.*—With regard to issues for the purpose of aiding war operations, war contracts, production of war materials, or intended to assist the National Government in the prosecution of the war, the committee will feel free to consult and avail itself of the advice of the departments or officers of the National Government having knowledge of the requirements, conditions, or facts affecting the Government. The committee will endeavor not only to restrict the use of capital for nonessential purposes, but also to encourage its use for essential purposes.

6. *Issues of shares for property.*—The issue of securities in exchange for property or for other shares, may or may not constitute a sale or offer of such securities within the meaning of the act. No general rule can be laid down and each case must be considered by the committee separately. Applications for such issues should be made in the usual manner.

7. *Stock dividends.*—The issue of shares through a stock dividend should be made only from bona fide surplus earnings or profits to present shareholders, without payment by them, and must not require the use of additional capital. All such issues should be submitted to the committee by application in the usual manner.

8. *Private issues.*—There is no distinction between "public" issues and "private" issues. Whenever securities or shares of any kind are issued to obtain fresh capital, the transaction comes within the province of the committee. It is not important whether the fresh capital is obtained from the public, or from any portion of it—that is, from private individuals. The approval of the committee is required regarding all issues sold, offered for sale or for subscription, in excess of $100,000, regardless of whether the transaction is public or among individuals privately.

9. *Merits.*—The committee will not express any opinion upon the intrinsic merits of securities to be offered for sale. It is authorized to examine into two questions:

(1) Whether the issue is timely with respect to the financial operations to be undertaken by the Government from time to time, and

(2) Whether the objects for which the funds are to be raised are compatible with the national interest.

Intending purchasers of securities which have been passed by the committee must thoroughly understand and appreciate the above statement. The fact that securities have been passed is no criterion whatever as to their value or standing as an investment in any respect. The favorable action of the committee is not even any criterion as to the merits of an issue in a national or patriotic sense. In some cases the committee feels obliged to pass issues on account of local or special circumstances, when it would not do so if such reasons did not exist. While it will, of course, result that patriotic citizens will purchase only securities that have been passed by the committee, nevertheless the decision whether to make any such purchase must be made by the purchaser without being influenced in any manner by the favorable action of the committee.

10. *Roads.*—It is recommended that all State authorities (including counties, districts, commissions, and municipalities) shall undertake only such paving and other road improvement work as may be actually necessary to be undertaken at this time, thereby avoiding the use of men and money needed for the service of the National Government. In order to justify the construction of roads, either military necessity or unusual economic necessity must be clearly proved.

11. *Municipal expenditures.*—The amount of capital invested in municipal bonds every year is very large, and if this amount, or a substantial portion thereof, could be saved, the funds of investors and savings banks would be available in corresponding amounts for the use of the National Government. There are certain classes of municipal improvements and expenditures which should wholly cease, such as parks and betterments solely designed for purposes of appearance or architecture. All others should be curtailed and postponed until after the war whenever possible. This applies to public buildings, hospitals, street and road construction, waterworks extensions, sewerage and drainage improvements, sidewalks, etc. Ordinarily only a small proportion of the improvements planned by a municipality are of such a character that they can not be postponed for a period without endangering the health or welfare of the community.

For example, it is said that no schoolhouses have been built in England since the war except in munition centers, where temporary and inexpensive structures have been erected. In this country, if such additional facilities are necessary, such temporary structures should be resorted to whenever possible.

The fact that the expense is to be repaid wholly or in part by special assessments does not make any difference.

The fact that there appears to be labor available is not a true criterion, because war industries in many parts of the country are in such need of labor that labor organizations are making comprehensive efforts to transport surplus labor wherever most needed.

12. *Elections authorizing issues.*—In cases where the opinion of the committee is desired before the proceedings authorizing the issue have been completed, caution will be exercised so that the action of the committee can not be used to influence the decision as to the issue. Whenever the decision of the committee can be postponed until after the completion of such proceedings, without involving undue delay, expense, or hardship, it will be the policy of the committee to do so. This is especially true in cases of popular elections because the limited scope of the committee's action can not be justly appreciated by electors and it might influence their vote.

In cases, however, where the committee is clear that its opinion would be unfavorable, it is not improper that suggestion to that effect should be made in order to save the expense of calling and holding a popular election.

INSTRUCTIONS TO APPLICANTS.

13. *Applications.*—Applications respecting the proposed issue or offering of any securities shall be executed in triplicate, the original and one copy transmitted to the Capital Issues Committee, National Metropolitan Bank Building, Washington, D. C., and the other copy to the district committee in care of the Federal Reserve Bank in the district of the applicant.

The committee has prepared a form of application, and all applicants are urged to obtain such forms from the committee or a district committee, and make their applications on them. In addition the applicant must provide all the information which will enable the committee to perform its duties with a full knowledge of all circumstances and conditions appropriate thereto.

The following suggestions are made with regard to applications, and the additional information required:

(*a*) The purpose of the proposed issue shall be fully and accurately described.

(*b*) If the purpose of the issue is to renew or refund indebtedness created before April 5, 1918, describe fully the nature and character of such indebtedness and the time or times and the general purposes for which it was incurred.

(*c*) If the issue is to be created wholly or partly for war purposes, or to raise capital or secure advances in connection with war contracts or war supplies, or to provide equipment, buildings, materials, or facilities of any kind for war work, full details thereof, and of the kinds and in general the quantity of supplies or materials to be furnished, and the amounts needed therefor, should be stated as well as the proportion which such war work bears to the total business of the applicant. Where any war purpose exists, mention should be made of the controlling governmental authorities at Washington and elsewhere in order that the committee may obtain from such authorities any further information it may desire.

(*d*) If the issue is deemed necessary by reason of any governmental requirement, national, State, or municipal, or on account of the requirement of any commission or other authority, the application should give complete details.

(*e*) If the issue is deemed necessary for public health or for educational or road purposes or other public necessity, the application should describe the same in full.

(*f*) If the issue is desired for private purposes and no public necessity or requirement exists, very complete exposition of purpose and necessity should be stated.

(*g*) The consideration, stating amount and character, for which the proposed securities are to be issued, the price of sale, and the amounts to be received by the applicant, should be shown.

(*h*) In all cases, except for war work, explicit reasons must be given why the proposed issue can not be postponed until after the war, or why the necessity of the issue is greater than the paramount need of the National Government to conserve the financial resources, materials, and labor of the country for the prosecution of the war.

14. *Identification.*—It is necessary to identify the issues accurately. The following information must be furnished:

WITH REGARD TO PROPOSED ISSUES OF BONDS, NOTES, CERTIFICATES OF INDEBTEDNESS, AND OTHER SECURITIES.

(*a*) Name or designation of the proposed issue, amount, date of issue, dates of maturity, and rate of interest. The serial numbers shall be given whenever possible. The serial numbers are necessary when the proposed issue is part of a larger authorized amount, either then outstanding or issuable in future.

(*b*) Amount of total authorized issue of which proposed issue is part.

(*c*) Attested copies of the votes, ordinances, or resolutions authorizing the proposed issue.

(*d*) In case the proposed issue is to be made under or secured by a mortgage, deed of trust, indenture, or similar instrument, attested copy of such instrument.

(*e*) Certified copies of the last balance sheet of applicant, including a statement of bills payable and income statement for three years past, including last preceding 12 months. (This does not apply to States or municipalities.)

WITH REGARD TO PROPOSED ISSUES OF SHARES OF STOCK.

(*f*) Total capitalization of the corporation.

(*g*) Certified copies of the last balance sheet of applicant, including a statement of bills payable and income statement for the last preceding 12 months.

(*h*) Total authorized issue of stock of which proposed issue is part.

(*i*) Name or designation and amount of the proposed issue; the method and dates of issue, stating whether the issue is to be made by offer to shareholders, by sale, public subscription, or otherwise.

(*j*) Attested copies of the votes or resolutions authorizing the proposed issue.

15. *Time of application.*—Applications with respect to proposed issues should be made as early as possible in order to enable the committee to cooperate most effectively. Municipalities should forecast expenditures for the year, and agree with the committee upon necessary items without waiting until an issue of bonds is about to be advertised or sold. This procedure has already been followed in several important instances with satisfaction, both to the municipality and to the committee. A program once decided enables agreed issues of bonds to be expedited when ready for sale.

DISTRICT COMMITTEES AND AUXILIARY COMMITTEES.

16. In each Federal Reserve district there shall be a district committee of the capital issues committee, with headquarters at the Federal Reserve Bank of the district.

Each district committee shall consist of the Federal Reserve agent as chairman, the governor of the Federal

Reserve Bank as vice chairman, and three or more other members chosen because of special qualifications to aid the district committee in its work.

Bankers and others having experience in municipal, manufacturing, or public utilities securities may be invited to become affiliated with a district committee as an auxiliary committee, the members of which, from time to time, as their advice and experience may be useful or helpful, may be asked to join in investigating and making recommendations regarding specific applications.

No member of a district or auxiliary committee shall in any manner, directly or indirectly, participate in the determination of any question affecting his personal interests or the interest of any corporation, partnership, or association in which he is directly or indirectly interested.

17. The district committees upon receipt of applications will examine them in order to determine whether the necessary information has been furnished by the applicant in accordance with these rules and regulations, and without waiting for the direction of the committee will advise the applicant to supply such additional information as may appear to be necessary or desirable. From time to time the committee will advise the district committees when the latter should take further action upon such applications, and in accordance with such advices the district committees will make full and complete investigation into all matters connected with the application and into all considerations bearing thereon. The district committees will make an analysis or summary of the application, verifying the detailed description of the securities to be issued and especially describing the purpose or object of the issue. The district committee will complete its analysis with a recommendation to the committee giving an accurate and full statement of its reasons for such recommendation, and the district committee will thereupon send forward to the committee its analysis, summary, and recommendations, together with all original documents, certificates, and other papers not already filed with the committee.

18. The applicant shall not be informed of the recommendations of the district committee unless and until such recommendations shall have been adopted by the committee. The final action of the committee will in general be sent to the district committee and the applicant at the same time. In special cases the committee will communicate with the district committee, requesting the latter to inform the applicant.

19. District committees are requested whenever possible to discourage or postpone for the period of the war proposed issues of securities and all expenditures for nonessential purposes, whatever the amount. If they are successful in discouraging or postponing an issue or expenditure, that fact shall be reported promptly to the committee. District committees are also charged with the duty of furthering the public understanding of the functions and purposes of the committee in their districts, especially with bankers and public officials.

67747—18——7

20. Cases referred to district committees by the committee shall each be the subject of separate correspondence, in order that office files may be kept intact.

21. Form of favorable opinion:

CAPITAL ISSUES COMMITTEE,
WASHINGTON.

Issue of...

[Here follows an accurate description of the securities passed upon.]

After due investigation into the purpose of the issue above described, we have determined that the sale thereof is not incompatible with the national interest.

This finding constitutes no approval of such issue as regards its legality, validity, worth, or security in any respect.

In any public offer of the said issue for investment by advertisement or circular, and whenever reference is made to this finding, it is requested that the statement quoted below shall be incorporated in full.

CAPITAL ISSUES COMMITTEE,
By ....
Chairman.

"Passed by the Capital Issues Committee as not incompatible with the national interest, but without approval of legality, validity, worth, or security. Opinion No. ......"

[NOTE.—This opinion can not be given unless an accurate and complete description of the securities necessary for identification has been furnished, as hereinbefore prescribed. Applicants will *save delay* by carefully regarding this requirement.]

22. Form of unfavorable opinion.

CAPITAL ISSUES COMMITTEE.
WASHINGTON.

Referring to the proposed issue of the following securities, to wit:

....

[Here follows a brief description of the securities.]

In accordance with the authority vested in the Capital Issues Committee by act of Congress, approved April 5, 1918, this committee has investigated the proposed issue of securities above mentioned and has determined that the sale, or offer for sale or subscription thereof at this time, is not compatible with the national interest.

CAPITAL ISSUES COMMITTEE,
By ....
Chairman.

Opinion No. .....
JUNE 4, 1918.

(Form No. 9.)

File No..........................	Re............	Bonds... $.......
Classification.....................		Other securities $..
State, county, city, or district....	Application of proceeds.	New work $........
....		Refunding ....
Nature of proposed improvement.		Other purposes $...
....		

APPLICATION BY STATE OR SUBDIVISION THEREOF

Place..................................
Date.............................

CAPITAL ISSUES COMMITTEE,
Washington, D. C.

The undersigned hereby make application to the Capital Issues Committee with respect to the issuance of the within-described securities under Title II of the War Finance Corporation Act.

....
....

INSTRUCTIONS TO APPLICANTS.

1. To facilitate the speedy decision of the committee, this form should be filled out in triplicate, two copies sent to the Capital Issues Committee at Washington and one copy to the Federal Reserve Bank of the district where the State or subdivision thereof is located.

2. In addition to the information requested herein, there should be filed with the committee an attested copy of the ordinance or resolution if already adopted, authorizing the proposed issue.

CAPITAL ISSUES COMMITTEE.

I. DESCRIPTION OF SECURITIES PROPOSED TO BE ISSUED.

(a) Bonds, notes, or certificates of indebtedness:

		Number.	Amount.
1. Name of issue......		.....@ $100	.....
2. Amount, $..........	3. Denominations.	.....@ $500	.....
4. Dated...............		.....@ $1,000	.....

5. Maturity..

6. Serial numbers.............. to...............

(b) Other securities, if any:

....

II. PURPOSE OF PROPOSED ISSUE. (State exact application of proceeds.)

....

NOTE.—Secretary McAdoo and the Federal Reserve Board have repeatedly stated that no capital should be used for purposes not essential to the prosecution of the war or urgently necessary from the standpoint of public health and welfare.

III. NECESSITY OF PROPOSED ISSUE.

The applicant must give explicit reasons why the proposed issue can not be postponed until after the war, and why the necessity of the issue is greater than the paramount need of the National Government to conserve the financial resources, material, and labor of the country for the prosecution of the war. It is obvious that this statement must be complete and accurate and sufficient to justify the issue at the present time. (If applicant desires, an additional statement of reasons may be filed with this application.)

....

[Applicant will leave this page blank.]

1. Date application received..
2. References:

Date referred.	To whom.	Answer received.	Approved or disapproved.
....	....	....	....
....	....	....	....

3. Examination and recommendation................................

Date................. ....

Member of Committee.

4. Recommendation of executive committee..........................

Date................. ....

....

....

....

5. Action of Capital Issues Committee...............................

Attest: ....

Executive Secretary.

6. Applicant notified...

Date................. By...............................

(Form No. 10.)

File No...............		Bonds..................	$........
Classification..........	Re.......	Notes..................	....
Name of applicant....		Preferred stock..........	....
		Common stock..........	....
		Other securities........	....
		Total............	....
Principal office........	Proceeds, how used	Construction and equipment.............	$........
Field of operations....		Refunding.............	....
Nature of business....		Working capital........	....
		Other uses.............	....

APPLICATION BY INDIVIDUAL OR PRIVATE CORPORATION.

Place..........................

Date..........................

CAPITAL ISSUES COMMITTEE,

Washington, D. C.

The undersigned hereby makes application to the Capital Issues Committee with respect to the issuance of the within-described securities, under Title II of the War Finance Corporation act.

....

By..............................

INSTRUCTIONS TO APPLICANTS.

(Read carefully.)

1. To facilitate the speedy decision of the committee, this form should be filled out in triplicate, two copies sent to the Capital Issues Committee at Washington, and one copy to the Federal Reserve Bank in the district where the main office of applicant is located.

2. In addition to the information asked herein, applicant will file with each committee the following:

(a) Attested copy of votes or resolutions authorizing the proposed issue.

(b) In case the proposed issue is to be made under or secured by a mortgage, deed of trust, indenture, or similar instrument, attested copy of such instrument.

(c) Certified copy of last balance sheet of applicant, including a statement of bills payable and income statements for 3 years past, including last preceding 12 months.

3. If proceeds of proposed issue are intended to be used to develop mining, oil, or agricultural properties, applicant will file with each committee a full description of the location of such properties as to State, county, township, range, and section.

4. If applicant desires, a further statement (in addition to the information requested or contained herein) may be submitted with this application.

CAPITAL ISSUES COMMITTEE.

I. HISTORY OF APPLICANT:

(a) Date of incorporation, ... (b) State, ...

(c) Capital stock:

	Par value of shares.	Authorized.	Issued.
Preferred stock....	$...........	$...........	$...........
Common stock....	....	....	....
Total..........	$...........	$...........	$...........

(d) Bond indebtedness:

Issue.	Amount.	Trustee.
....	....	....
....	....	....

(e) Other secured indebtedness (except bank loans):

Issue.	Amount.	When due.
....	....	....
....	....	....

(f) Names of directors and officers..................................

II. DESCRIPTION OF SECURITIES PROPOSED TO BE ISSUED:

(a) Bonds, notes, certificates of indebtedness, and other obligations

		No.	Amount.
1. Name of issue....	3. Denominations.	.... @ $100	......
2. Amount, $.......		.... @ $500	......
4. Dated...........		.... @ $1,000	......

5. Maturity..

6. Serial numbers.......... to ....

7. Amount of total authorized bonds of this issue, $............

8. Trustee..

9. How issued— Mark X

(a) Public offering..........( ) Price...... $.........

(b) Private sales............( ) Price...... $.........

(c) Exchange for property...( ) *

(d) Exchange for securities..( ) *

(b) Preferred stock:

1. Name and dividend rate........ 2. Par value, $............

3. Amount, $.......... 4. Total authorized and unissued........... ....

5. How issued— Mark X

(a) Public offering..........( ) Price..... $..........

(b) Private sale.............( ) Price..... $..........

(c) Exchange for property...( ) *

(d) Exchange for securities..( ) *

(c) Common stock:

1. Amount, $........... 2. Par value, $.......

3. Total authorized and unissued, $............

4. How issued— Mark X

(a) Public offering..........( ) Price..... $..........

(b) Private sale.............( ) Price..... $..........

(c) Exchange for property...( ) *

(d) Exchange for securities..( ) *

(e) Stock dividend..........( ) *

(f) Stock bonus............( ) *

5. Date of proposed offering....................................

* NOTE.—Explain issuance fully under heading "Purpose" below.

III. PURPOSE OF PROPOSED ISSUE:

(Under one or more of the headings below give exact application of proceeds.)

(a) New capital expenditures, such as construction work, new equipment, etc.:

1. Describe in detail, with general cost estimate—

....

....

2. When work will be completed..............................

3. Estimated increase in production............................

(b) Refunding existing indebtedness:

Character of indebtedness (i. e., bonds, notes, bank loans, accounts payable, etc.).	When incurred.	Purpose.	To whom owing.	Amount.
....	....	....	....	....
....	....	....	....	....

(c) Other capital purposes: (Specify and describe fully.)

1. Exchange for property.......................................

2. Working capital...

3. Stock dividend..

4. Stock bonus...

5. Other purposes..

NOTE.—Secretary McAdoo and the Federal Reserve Board have repeatedly stated that no capital should be used for purposes not essential to the prosecution of the war or urgently necessary from the standpoint of public health and welfare.

IV. NECESSITY OF PROPOSED ISSUE:

1. In all cases, in addition to answering the questions contained on this form, the applicant must file separately a full statement of explicit reasons why the proposed issue can not be postponed until after the war, and why the necessity of the issue is greater than the paramount need of the National Government to conserve the financial resources, materials, and labor of the country for the prosecution of the war. It is obvious that this statement must be complete and accurate and sufficient to justify the issue at the present time.

2. If applicant holds any Government contracts, indicate them below:

	Number of contract.	Department or officer.	Amount involved.
1	....	....	....
2	....	....	....

3. What is proportion of Government or other war contracts to total business of applicant? (Direct and indirect war work stated separately.)..

[Applicant will leave this page blank.]

1. Date application received ....

2. References:

Date referred.	To whom.	Answer received.	Approved or disapproved.
....	....	....	....
....	....	....	....

3. Examination and recommendation................................

Date................. ....

Member of Committee.

4. Recommendation of executive committee........................

Date.................. ....

5. Action of capital issues committee..............................

Attest: ....

Executive Secretary.

6. Applicant notified:

Date.................. By ....

INFORMAL RULINGS OF THE BOARD.

Below are reproduced letters sent out from time to time over the signatures of the officers or members of the Federal Reserve Board which contain information believed to be of general interest to Federal Reserve Banks and member banks of the system:

Warehouse Receipts for Canned Goods as Security.

(To a member bank.)

Your letter of June 5, in reference to the right of a member bank to accept drafts or bills of exchange drawn against the security of canned goods under circumstances set forth in your letter, has had the attention of the Federal Reserve Board.

It appears that a certain concern engaged in the canned goods business proposes to set aside part of its readily marketable goods and materials not necessary for immediate purposes and to place them in storage with a lessee of part of its premises. The lessee is then to issue warehouse receipts to the owners of the goods, which receipts are to be used as security for drafts drawn against the member bank and accepted by that bank under authority of section 13 of the Federal Reserve Act.

You desire to be informed whether such a plan would in the opinion of the Federal Reserve Board meet with the requirements of the statute.

In reply, you are advised that if the premises in question are actually turned over to the lessee under a bona fide lease, the lessee being independent of the borrower and having entire custody and control of the goods, there would seem to be no objection to a member bank accepting drafts drawn against the security of warehouse receipts issued by such lessee. It should, however, be expressly understood and agreed that the borrower shall not have access to the premises except with the permission of the lessee and that he shall exercise no control of any sort over the goods against which warehouse receipts are issued. The warehouse receipt must, of course, be in form to properly convey and secure title to the bank.

JUNE 10, 1918.

Release of Shipping Documents Upon Acceptance of Draft.

[To an individual.]

Receipt is acknowledged of your letter of May 30 in which you ask whether it is necessary where a domestic acceptance is based upon a bill of lading that the bank retain the bill of lading or other collateral during the life of the acceptance, or may the bank release the bill of lading after acceptance. You also ask whether the same rule will apply in case the acceptance is secured by a warehouse receipt.

In reply you are advised that inasmuch as the statute merely requires the accepting bank to be secured in domestic transactions by shipping documents or warehouse receipts at the time of acceptance the bank would no doubt have the right, if it became necessary to do so, to release either the shipping document or the warehouse receipt, provided the draft or drafts accepted for one person did not exceed 10 per cent of the capital and surplus of the accepting bank. This is a question, however, which should be determined by the bank itself.

It is no doubt necessary in some instances for the bank to release the shipping documents under some agreement with its customer in order that the transaction may be consummated. There would seem to be much less reason for releasing the warehouse receipts, and the banks might very properly adopt the rule not to release warehouse receipts other than in exceptional cases. In any event, this is purely a matter of agreement as between the bank and its customers. The Federal Reserve Bank in rediscounting such acceptances may reasonably take into consideration the question whether or not they are secured or unsecured at the time they are offered for rediscount.

MAY 31, 1918.

Rate on Paper of Acceptance Corporation.

[To a Federal Reserve Bank.]

I have your letter of May 29, in which you inquire about the proper rate to be given to acceptances of the ——— Corporation of ———.

My own feeling in the matter is that acceptances of this corporation ought to be dealt with exactly as would be the acceptances of a prime private banker. These acceptance corporations are in the same relation to the Federal Reserve system as the private bankers. They can not become members, but, inasmuch as they expect to give you full information about their own financial standing and the nature of their acceptances, and as they exercise a most important function for the further development of our acceptance business and discount market, their operation ought to be encouraged in every respect.

I do not think, therefore, that it would be proper to discriminate against their acceptances when they reach you properly indorsed by a bank or banker. If they should be offered to you without any indorsement, then, indeed, I would discriminate against them—at least to the extent of one-fourth per cent in the discount rate, if not more.

As you know, I am very anxious to see adopted in growing measure the habit of Federal Reserve Banks to insist upon the third signature for all the acceptances that they buy.

P. S.—Since dictating the above, I have had an opportunity of discussing this letter with the members of the Board, and they are in accord with the sentiments that I have expressed. It is, of course, understood that the acceptance corporation will publish its reports and that you will keep yourself fully advised as to its assets and obligations. That will, of course, guide your board of directors in its judgment as to how large an amount of these acceptances it will be willing to take from time to time.

MAY 31, 1918.

Right of National Bank to Make Loans Secured by Farm-Loan Bonds.

MY DEAR MR. COMPTROLLER: You asked whether, in the opinion of this office, national banks are prohibited by law from making loans on the security of farm-loan bonds issued under authority of act of July 17, 1916, and known as the Farm Loan Act.

The question involved seems to be whether the loans in question come within the classification of loans on real estate. Under the National Bank Act national banks are permitted to lend on personal security and are impliedly prohibited from making loans on security of real estate, except where such security is taken for a debt previously contracted, or where the loan meets the requirements of section 24 of the Federal Reserve Act.

In the opinion of this office, a loan on the security of a farm-loan bond should not be classified as a loan on real estate. It has been consistently ruled by your office in accordance with decisions of the Supreme Court of the United States on this subject, that a note secured by another note as collateral, such collateral note in turn being secured by real estate, does not constitute a loan on real estate. In such case the security for the note discounted is the obligation of the maker of the collateral note and the fact that the maker of this note is in turn secured by real estate does not make the security which the bank receives a real estate security.

In the case of farm-loan bonds, these bonds are the obligations of farm-land banks. The bonds, as I understand it, are not secured by by mortgage on real estate, but by the notes or other obligations of various farmers being held by the farm-land bank. In legal effect, therefore, the farm-loan bond is in the nature of a collateral trust bond and the security for these bonds consists of the personal obligation of various farmers, which obligations are in turn secured by real estate.

In the opinion of this office, therefore, notes secured by farm-loan bonds may be discounted by national banks.

(Signed) M. C. ELLIOTT,
Counsel.

JUNE 10, 1918.

DEAR MR. SECRETARY: I have your letter of the 7th instant, making inquiry as to whether or not a national bank may lawfully make loans on the security of farm-loan bonds, issued under act of July 17, 1916.

This question has been submitted to counsel, and I inclose herewith a copy of the opinion rendered, which holds that notes secured by farm-loan bonds may legally be discounted by national banks. This opinion has the approval of the comptroller's office.

Sincerely, yours,
(Signed) J. S. WILLIAMS.

W. W. FLANNAGAN, Esq.,
Secretary Federal Farm Loan Board,
Washington, D. C.

JUNE, 21, 1918.

Receipt of Custodian of Wool as Warehouse Receipt.

(To a Federal Reserve Bank.)

Receipt is acknowledged of your letter of the 31st ultimo, and I have to-day wired you as follows, which I now confirm:

Your letter 31st. It being understood that wool is stored in buildings under control of custodian entirely independent of borrower, custodian's certificate or receipt, if issued in proper form to convey or secure title, may be treated as a warehouse receipt within the meaning of section 13 of the Federal Reserve Act, and acceptance of member bank under such conditions would be eligible for rediscount.

JUNE 3, 1918.

Form of Trade Acceptance.

(From and to an individual.)

Various clients of ours send their trade acceptances to all States of the Union and wish to have them so worded that it would be proper for a bank in any State, including the State where the negotiable-instrument law has not been enacted or it has been modified, to pay the acceptance without previously notifying the acceptor.

Will you advise me, in your opinion, if the wording in either form of indorsement, as noted below, should be sufficient warrant for the bank to pay the acceptance from funds of the acceptor in their hands without notification to the acceptor?

Do you see any advantage in one form over the other, or can you suggest any improvement in the forms as given?

[*Form 1.*]

Accepted at ...., 191
Bank where payable ....
(Without further notice to acceptor.)
Address of bank ....
(If no bank, address of acceptor.)
Name ....
(Acceptor's authorized signature.)
By ....

[*Form 2.*]

Accepted at ...., 191
Bank where payable ....
(If no bank, address of acceptor.)
Address ....
(Pay as specified, charge to the account of.)
Name ....
(Acceptor's authorized signature.)
By ....

JUNE 5, 1918.

Receipt is acknowledged of your letter of the 5th instant outlining two forms of trade acceptances and requesting an expression of the Board's preference. The matter was referred to counsel, and the Board concurs with his opinion that Form 2 would seem to be the most desirable, since it contains a specific request to pay the draft, instead of a mere implied request or waiver of further notice.

JUNE 25, 1918.

LAW DEPARTMENT.

The following opinions of counsel have been authorized for publication by the Board since the last edition of the Bulletin:

Rediscount of Paper Secured by War Savings Stamps.

Notes, drafts, and bills of exchange which are secured by war savings stamps and the proceeds of which were used to purchase or carry war savings stamps are ineligible for rediscount with a Federal Reserve Bank.

JUNE 8, 1918.

SIR: The accompanying letter from the deputy governor of a Federal Reserve Bank raises the question whether notes, drafts, or bills of exchange secured by war savings stamps may be rediscounted with a Federal Reserve Bank, it being assumed that the proceeds of such notes, drafts, and bills of exchange were used to purchase or carry war savings stamps.

Section 13 of the Federal Reserve act makes eligible for rediscount with a Federal Reserve Bank—

"Notes, drafts, and bills of exchange arising out of actual commercial transactions; that is, notes, drafts, and bills of exchange issued or drawn for agricultural, industrial, or commercial purposes, or the proceeds of which have been used, or are to be used for such purposes, * * * but such definition shall not include 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."

It is obvious, therefore, that notes, the proceeds of which have been used to purchase, carry, or trade in war savings stamps are not eligible for rediscount with a Federal Reserve Bank unless war savings stamps can be treated as bonds or notes of the United States, within the meaning of the language used in Section 13 of the Federal Reserve act.

Section 6 of the act approved September 24, 1917, authorizes the Secretary of the Treasury to borrow from time to time on the credit of the United States such sums as in his judgment may be necessary, and to issue therefor war savings certificates of the United States.

Under the terms of the act "such war savings certificates shall be in form or forms and subject to such terms and conditions and may have such provision for payment thereof before maturity as the Secretary of the Treasury may prescribe."

The act further provides that—

"The Secretary of the Treasury may, under such regulations and upon such terms and conditions as he may prescribe, issue or cause to be issued stamps to evidence payments for or on account of such certificates."

From this it appears that while the Secretary of the Treasury in his discretion might issue war savings certificates in the form of a bond or note, or in any other form he deems necessary, the war savings stamps, under the terms of the act, merely evidence the payments for or on account of war savings certificates.

The form of certificates prescribed by the Secretary is more nearly that of a certificate of indebtedness than that of a bond or note of the United States. It merely provides that subject to the terms and conditions printed thereon, the owner named in the certificate shall be entitled to receive, on January 1, 1923, the amount indicated thereon by the war savings stamps or receipts attached.

Under the terms and conditions printed on the certificate, it is expressly stipulated that "this certificate is of no value except to the owner named hereon and is not transferable." In view of this condition, the certificate itself, which is the evidence of the Government's liability, could hardly be treated as a bankable security for loans. This being true, the war savings stamp which is, in effect, a receipt for payment on account of a nonnegotiable evidence of indebtedness, could not, in the opinion of this office, be classified as a bond or note of the United States, and notes, drafts, or bills of exchange secured by such war savings stamps, or the proceeds of which have been used to purchase, carry, or trade in such stamps, should not be treated as eligible for rediscount by a Federal Reserve Bank.

Respectfully,

M. C. ELLIOTT, *Counsel.*

To HON. W. P. G. HARDING,
Governor, Federal Reserve Board.

Rediscounts by Member State Banks.

Where a State bank, which is a member of the Federal Reserve system, has loaned to one of its customers an amount equal to 30 per cent of its capital and surplus, and has rediscounted two-thirds of this amount with a correspondent bank, the remaining one-third is eligible for rediscount with its Federal Reserve Bank.

JUNE 21, 1918.

SIR: The attached letter from the deputy governor of a Federal Reserve Bank raises the following question:

A State bank, which is a member of the Federal Reserve system, has loaned to one of its customers an amount equal to 30 per cent of its capital and surplus. If it rediscounts two-thirds of this amount with a correspondent bank, would the remaining one-third which is equal to 10 per cent of its capital and surplus be eligible for rediscount with its Federal Reserve Bank?

Section 9 of the Federal Reserve Act reads in part as follows:

Subject to the provisions of this act and the regulations of the Board made pursuant thereto, any bank becoming a member of the Federal Reserve system shall retain its full charter and statutory rights as a State bank or trust company and may continue to exercise all corporate powers granted it by the State in which it is created and shall be entitled to all privileges of member banks: *Provided, however,* That no Federal Reserve Bank shall be permitted to discount for any State bank or trust company notes, drafts, or bills of exchange of any one borrower, who is liable for borrowed money to such State bank or trust company in an amount greater than 10 per cent of the capital and surplus of such State bank or trust company.

It is, therefore, necessary for the Board to determine whether under the circumstances recited the bank's customer is liable to the bank for borrowed money within the meaning of this act, on notes of the customer which have been rediscounted with the bank's indorsement, and which are held by a third party.

It is true that in such case the bank is contingently liable on the notes in question and may be called upon to pay them if the maker defaults. The liability of the maker, however, is to the holder of the notes, which are negotiable, and he does not become liable to the bank after the notes are rediscounted until the bank as indorser, has paid the notes or has again become the holder in due course of such notes.

This question was considered by the Board and by the office of the Comptroller in connection with the limitations prescribed by section 5200, Revised Statutes, on liabilities to a national bank of any one person, firm, or corporation.

The conclusion was reached in that case that notes which have been rediscounted by a national bank and which are no longer owned or held by the bank, should not be included as a liability of the maker to the bank for borrowed money within the meaning of section 5200.

The same principle is involved in the present case, and, in my opinion, the paper held by the State bank in the case cited, if otherwise eligible, could be rediscounted with a Federal Reserve Bank.

Respectfully,

M. C. ELLIOTT, *Counsel.*

To Hon. P. M. WARBURG,
Vice governor, Federal Reserve Board.

SUMMARY OF BUSINESS CONDITIONS, JUNE 23, 1918.

District.	General business.	Crop condition.	Industries of the district.	Construction, building, and engineering.	Foreign trade.	Money rates.	Railroad, post office, and other receipts.	Labor conditions.
No. 1—Boston	Active	Average, promising.	Busy	Decreased	Increased	Steady and strong.	Mixed	Scarce; wages high.
No. 2—New York	Very active	Good	Engaged to full capacity; widespread adaption of production to war essentials.	Dull, except for construction of Army warehouses, shipyards, housing for Government labor and factory construction.	Many restrictions, but large aggregate.	Firm and steady	Post office increase, 19.28 per cent over last year: railroads show increase in gross and decrease in net earnings.	Scarcity and high competitive wage offers, resulting in large turnover.
No. 3—Philadelphia.	Very good	Excellent	Very busy	Very little new building.	Large	Firm; no change	Gross receipts increasing.	Shortage acute in all lines.
No. 4—Cleveland	Good	Satisfactory and promising.	Busy	Very dull		Increasingly firm	Increase	Unsatisfactory; scarcity.
No. 5—Richmond	Active, limited only by labor and supplies.	Excellent	Active, profitably employed.	Private building negligible: Government work active.	Limited by freight room.	6 per cent; heavy demand and increasing.	Railroad irregular; post office, volume large; reflects increased rates.	Inadequate; unsatisfactory.
No. 6—Atlanta	Good	Very satisfactory	Busy	Inactive	Unsatisfactory	Firm		Unsettled.
No. 7—Chicago	Very active	Excellent	Generally at capacity	Dull		do	Post office receipts decrease over last month.	Very scarce.
No. 8—St. Louis	Good	do	Active	Do		do	Increase in postal receipts.	Nearing settlement.
No. 9—Minneapolis	do	do	do	Fair		Very firm	Not much change	Good.
No. 10—Kansas City.	do	Good to excellent	do	Slightly improved		Firm		Equalization of farm demand and supply.
No. 11—Dallas	Quite satisfactory.	Fair to good	do	Building activities below normal; Government work has right of way.	As satisfactory as shipping space available permits.	Firm, heavy demand, but slight evidence of increase.	Railroad increase and higher tariffs not noticeable in travel; post office increase.	Unsatisfactory; shortage in all branches.
No. 12—San Francisco.	Active	Good	do	Operations generally curtailed.	Increase	Firm	Increasing	More settled.

GENERAL BUSINESS CONDITIONS.

There is given on the preceding page a summary of business conditions in the United States by Federal Reserve districts. These reports are furnished by the Federal Reserve agents, who are the chairmen of the boards of directors for the Federal Reserve Banks of the several districts. Below are the detailed reports as of approximately June 23:

DISTRICT NO. 1—BOSTON.

The general public is fast becoming accustomed to the idea of precedence for Government business and Government regulation of commodities and industries. In fact, with prices of raw materials at the present level, manufacturers would not be able to plan future business were it not for the aid given by the Government. As the participation of our troops in the war increases, the manufacture of and demand for less essentials decreases, and increased energies are devoted to war requisites.

Retail merchants are finding on the whole that the quality of goods purchased by their customers is above the average and that the increase in their cash business is greater than in the case of charge accounts. This follows the trend apparent for some months past, namely, that labor engaged at high wages is buying freely, while persons of means or living on a fixed salary are obliged to economize because of the increased cost of living.

Retailers note a contraction in the volume of their sales during months in which large Government payments are due, either for Liberty loan bonds or for taxes, and the income and excess profits taxes due this month have proved no exception. Nevertheless, taking the first six months of this year as a whole, business in many lines shows an increase over corresponding months last year, not only in dollars but in units.

The labor situation continues without change, employees being hard to obtain for lines outside of emergency work, for which extremely high wages are paid.

Antiloafing legislation has been passed and committees have been formed in different States to work out a solution of this problem. Results in this direction should soon be apparent.

Domestic wools are coming in freely from the West and are being distributed to mills as fast as possible. South American wools are not coming forward as satisfactorily as might be desired, due to the difficulty of securing tonnage. There is no trading between mills or dealers, and none of the domestic wools are being allotted for civilian needs.

Woolen and worsted mills are running at capacity. The statement of the National Association of Wool Manufacturers, under date of June 19, 1918, reports practically all spindles in operation. Of these nearly 50 per cent are engaged on war orders.

Boot and shoe manufacturers, although running as full as practicable, report an unsatisfactory condition in both labor and raw materials. The leather market is strong and steady, holding its recent advance. The British War Mission has been buying seven to eight million dollars' worth of sole and upper leather to be used in England for civilian shoes under Government restrictions.

The United States Government has canceled licenses issued for the importation of hides in all but a few exceptional cases, and this together with expected price fixing, has made for a strong market. Manufacturers are gratified by the Government ruling restricting the styles and height of shoes, feeling that it will enable them to concentrate on particular styles and effect economies.

Cotton mills making fine and fancy fabrics are, for the most part, sold well into the fall and consequently are indifferent in regard to new orders. The prospect of Federal price regulations has caused both buyers and sellers to refrain from commitments until the matter is more definitely settled. As a consequence, orders are slow, although prices remain firm. Manufactures of print cloths are sold far ahead and it is reported that in some cases orders have been placed up to next March, where mills would accept such business.

Good average growing conditions for crops have prevailed during the past month. The growth of corn has been retarded by cool nights. Potatoes continue to do well.

Garden crops are making good progress, although a higher temperature would be beneficial. Apples are dropping somewhat more than usual at this season, and haying is beginning in the southern portion of New England, with the growth on old fields light, but good on new ground.

The payment of income and excess profits taxes has not been felt by the banks to any such extent as had been anticipated, due to the immediate redeposit of funds with the banks on whom the checks were drawn.

Banks are maintaining a conservative lending policy and are keeping their assets in as liquid a condition as possible to meet withdrawals of these Government deposits, but it is to be expected that when this large amount is called by the Government, considerable rediscounting with the Federal Reserve Bank will result.

The statements of banks and the general money market will not reflect the true condition caused by these payments until after the Government has withdrawn the money now on deposit.

Call money remains 5½ per cent to 6 per cent, generally 5½ per cent. Time money is quoted 6 per cent, with very few exceptions. In the case of borrowers carrying large balances there is an occasional shading to 5¾ per cent for short maturities.

The commercial paper market is quiet, with 6 per cent the going rate for all names and dates.

The exchanges of the Boston clearing house for the week ending June 15, 1918, were $370,045,043, compared with $266,557,142 for the corresponding week last year, and $291,441,064 for the week ending June 8, 1918.

Building and engineering operations in New England from January 1 to June 12, 1918, amounted to $64,867,000, as compared with $87,034,000 for the corresponding period of 1917.

The receipts of the Boston post office for May, 1918, show an increase of $99,336.63, or about 13 per cent more than May, 1917. For the first 15 days of June, 1918, receipts were about 17 per cent, or $62,643.05 more than for the corresponding period of last year.

Boston & Maine Railroad reports net operating income, after taxes, for April, 1918, of $784,977, as compared with $869,026 for the corresponding month of 1917.

For April, 1918, the New York, New Haven & Hartford Railroad reports operating income, after taxes, of $1,224,097, compared with $2,046,685 for April, 1917.

For the first four months of this year operating income, after taxes, of the four principal New England roads was $2,758,133, as compared with $10,780,170 for last year.

Loans and discounts of the Boston clearing house banks on June 15, 1918, amounted to $499,730,000, as compared with $503,733,000 last month, and $455,330,000 on June 16, 1917. Demand deposits on June 15, 1918, amounted to $458,431,000, as compared with $464,336,000 on May 18, 1918, and $352,879,000 on June 16, 1917. Time deposits on June 15, 1918, totaled $14,780,000, as compared with $16,179,000 on May 18, 1918, and $34,657,000 on June 16, 1917.

The amount "due to banks" on June 15, 1918, was $125,771,000, as compared with $129,078,000 on May 18, 1918.

DISTRICT NO. 2—NEW YORK.

Widespread absorption by the Government of industrial products essential for war, and increase in the scope of the Government's supervision over industry, especially through control of raw materials, are the important features in the present business situation. Business is active and manufacturing is as near maximum capacity as restricted supplies of raw material and difficulty in obtaining adequate labor will permit.

Under arrangements made June 6 between the Government and the American Iron and Steel Institute, industries using iron and steel on other than war orders will receive little material. About 85 per cent of the pig-iron output is reported as being necessary for war purposes, although the present rate of production is the highest on record—in May, 3,446,412 gross tons, or 111,175 tons per day. Practically all iron, finished steel, and scrap in the vicinity of New York City and Buffalo is being availed of by plants occupied in the production of munitions, railroad equipment, shipyard supplies, and other war materials. To avoid excessive congestion of industry, the War Industries Board with the Fuel and Railroad Administrations on June 11 determined that no future war orders should be placed in New York, New Jersey, and other eastern territory, unless arranged with their joint consent. The Fuel Administration estimates that the country will need 735,000,000 tons of coal in the year which began April 1, or 84,000,000 tons more than the production in 1916–17. The Anthracite Committee has increased the allotment for 1918–19 to States in this district, as follows:

	New York.	New Jersey.	Connecticut.
1918–19 (tons)	15,655,300	5,460,784	2,476,700
1916–17 (tons)	14,169,809	4,961,622	1,952,900
Increase (per cent)	11.89	10.04	26.82

Actual coal stocks on hand at New York City are very small, and although receipts of both anthracite and bituminous increased during the 4-week period, May 20 to June 17, the demand for domestic sizes of anthracite and for commercial coal exceeded supplies. Demand for petroleum products also exceeds supply, largely because of utilization of a considerable part of the oil-carrying fleet of tank steamers in overseas transportation.

Traffic on railroads east of the Mississippi is flowing smoothly, only 11,000 cars above normal being recorded as in transit on eastern lines June 14, compared with 160,000 in January, when congestion was acute. April reports for the 34 roads of the eastern region show increased gross earnings and mileage, net earnings being cut by high operating expenses:

	Gross earnings.	Mileage.	Net earnings.
Eastern region (34 roads):			
April, 1918	$101,093,476	29,463	$18,916,307
April, 1917	85,661,811	28,120	20,916,618
Net change (increase)....per cent..	18.03	4.05	[1] 9.56
Entire United States (194 roads), net change (increase)..per cent..	15.70	.9	[1] 18.51

[1] Decrease.

Lumber prices are extremely high due to the fact that logging operations have produced smaller output than usual. Improvement in rail facilities have, during recent weeks, permitted shipments of pulpwood from Canada, which, if continued, will assure a sufficient supply for the paper mills.

Demand for window glass is active but light for plate glass, cut glass, and mirrors.

Automobile plants are restricting output of passenger cars to 30 per cent of capacity, and in addition to devoting their plants to making trucks are making gun carriages, mine anchors, tractor parts, artillery wheels, and in some instances installing machinery to make shells.

In the textile industry 50 per cent of knit goods, 75 per cent of denim, 100 per cent of cotton duck, and 60 per cent of woolens are being applied to Government use according to an estimate in Dun's Review. The Government on May 20 requisitioned the entire 1918 wool clip. High prices of both cotton and woolen materials have encouraged a relatively greater utilization of silk in civilian trade, though high and uncertain prices for raw silk resulting from scarcity in the Orient and shipping difficulties, have held the production of the mills down to about 65 per cent capacity, and caused the price of manufactured goods to advance sharply. Increased demand for burlap, which is being extensively used instead of wood in packing goods for shipments, is coincident with decreased imports from Dundee and Calcutta, the two principal sources of supply, so that stocks are short.

The money volume of the dry goods movement is large, with increase in sales of medium priced goods, while sales of those of high grade are decreasing. Purchases of clothing and woolen materials are being made by retailers in advance of the season, partly because of apprehension of later scarcity, and retail sales are heavy. Business in the fur trade has been very good, both wholesale and retail, especially in towns outside of New York city. Chain stores are having a very active business. Business in the shoe trade is active despite recent sharp price advances due to higher cost of leather.

Collections are reported good in practically all lines, with exceptions only in drugs and chemicals.

Governmental restrictions have greatly reduced exports to countries not allies in actual fighting, including articles which made heavy volume in normal times, such as steel, wheat, flour, and coal. Imports of some articles are absolutely embargoed, while others, including provisions, crude rubber, etc., have been restricted because of tonnage scarcity. Coffee prices are slightly lower than in 1914, speculation being discouraged by price regulations; tea prices are somewhat higher with heavy volume of purchases, including contracts for the Navy. Supplies of sugar arranged for by the International Sugar Committee, are being exported from Cuba and Porto Rico in quantities increasing during the course of the month, and materially larger than last year. Deliveries at refineries on a percentage allotted basis, are reported adequate to meet consumption on the basis approved by the Food Administration.

Extended acreage, excellent condition and probable large yield of grain, decreased planting of potatoes, and favorable orchard conditions, except for peaches, are reported in this district.

Following the completion of the third Liberty loan campaign, capital issues increased in volume, and a number of oil, gas, shipping, chemical, and munitions companies were incorporated. Federal farm loan bonds amounting to $60,000,000 were quickly taken by investors, their tax-exempt character being an important factor in stimulating sales. A serious problem in public utility financing is being solved by the War Finance Corporation, which is making the Brooklyn Rapid Transit Co. a direct loan of $17,320,000 to assist in meeting a $57,735,000 note issue due July 1, on condition that holders of the notes exchange not less than 70 per cent of their holdings for notes of a new three-year 7 per cent issue.

Stock market prices have recovered from the low point touched around June 1, following a rather sharp reaction during the last week of May. Bond sales have increased with moderately declining prices. Demand for municipal and other tax-exempt obligations has been quickened by the proposed increase in Federal income taxes.

Payment of income and excess profits taxes have been made without disturbance of money market conditions and with much less strain than had been anticipated, the loans of the Federal Reserve Bank of New York showing a heavy decrease during the tax-payment period. Call money, though frequently reaching 6 per cent, has been readily obtainable, and eased materially after June 15, the tax payment date. During early June substantial amounts of time loans on stock exchange collateral were made, though funds for this purpose continue scarce. Commercial paper has been sold in fair volume throughout the month at rates close to 6 per cent.

DISTRICT NO. 3—PHILADELPHIA.

General confidence in the business situation is denoted by the liberal advance buying throughout the district. The retail demand for seasonable merchandise continues quite active, although the steady decrease in the variety of goods being offered by the leading stores and uniformly high prices are causing a well-defined tendency toward economy. In all lines increasing difficulty is being experienced in replenishing supplies, and the growing shortage of competent labor is an embarrassing feature.

The railroad freight-car movement has greatly improved. A new record for the movement of freight to and from the South, in any one day, over the Philadelphia, Baltimore & Washington Railroad, was made in the 24 hours ending at midnight, June 16. Figures compiled that day show that 3,326 cars were counted passing Edgemoor, Del., the principal observation point on the southern division of the Pennsylvania Railroad. The east and west movement via the main line of the Pennsylvania Railroad also continues to be of record-breaking volume.

Coal is moving more freely. Production is decidedly better, but the situation generally is becoming more critical, as the demands of war industries and for domestic use are estimated at 80,000,000 tons more than was produced last year and the labor supply is gradually being depleted. Some of the men are leaving for higher wages with war industries and others are being drafted into the Army. Some collieries, because of labor shortage, claim they are unable to operate at more than 50 per cent capacity. The only change of note in the bituminous situation is in the fact that the car supply is better than it has been. The improvement is to such an extent that there are in some places more cars available than can be loaded. Here, too, the matter of sufficient and efficient labor will need attention.

Compared with the average for 10 years, the general condition of all crops in the States in this district is indicated as follows: Pennsylvania, 101.4 per cent; New Jersey, 101.4 per cent; Delaware, 94.4 per cent. New Jersey wheat is improving, truck crops are good, and there are excellent prospects for hay. In Pennsylvania considerable corn must be replanted. Wet ground has prevented cultivation. Early potatoes, oats, and rye are in fine condition. In Lancaster County the number of tobacco growers is approximately 10,000, and the 1918 acreage is about 25,000. At least 75 per cent of the new crop is planted. It is making good growth, the weather being favorable. The embargo on importations of Sumatra and Java leaf has caused renewed activity in Manila and Porto Rico, and large quantities of the former are being received.

Steel, like most of the big industries, is working nearer capacity than at any time this year. The resolution adopted by the War Industries Board and the American Iron and Steel Institute that all pig iron and steel products shall be shipped hereafter only on priority certificates or to a preferential list of industries will make little, if any, difference, as steel plants have been for many weeks shipping almost all of their products as the Government directed. The iron and steel industry has shown a rather notable improvement during the month of May. The production of pig iron was the greatest in its history with the exception of October, 1916, the output being 3,446,000 tons, compared with 3,288,000 for April of this year and 3,417,000 for May of last year. Steel production has also increased considerably, the output of this commodity amounting to 2,513,000 tons during May, compared with 2,411,000 the preceding month and 2,404,000 tons in May, 1917. Labor shortage has become a more important factor in mill and furnace operations, and in some districts, there has been at times an excess of cars over loading capacity.

The building situation continues quiet, new construction being confined almost exclusively to the erection of buildings for the Government or war industries, although it is reported that plans are being made for a large number of dwellings needed to accommodate the great influx of labor attracted to Philadelphia by the increased activity at the shipyards and other manufacturing plants.

Cotton mills are well sold ahead. Yarns are scarce and high. The Government is requiring more and more of the product.

The Government has complete control of the wool situation, and it is stated that the trading profit in the business has been practically eliminated. Some houses have reduced their working forces and are making no effort to get business

Textile manufacturers have all the business they can take care of, more, in fact, than they can handle comfortably, considering the labor and transportation difficulties, and the scarcity of raw materials.

Chemicals and dyestuffs are active and command good prices, while collections are good. Drugs are in demand, with scarcity in imported goods. The Government demand is very large.

The demand for printing papers for domestic consumption is practically normal, but it is increasingly difficult to secure reasonably prompt deliveries. On the other hand, the demand from foreign countries, which under existing conditions are obliged to look to the United States as the only source of supply, is phenomenally large.

The money market continues firm, the prevailing rate for paper being 6 per cent. Increased activity is noted in the sale of bonds and other securities. Tax payments and withdrawals from member banks of Government deposits increased the demand on the bank for loans, which on June 18 amounted to $83,677,402, the largest amount outstanding at any one time. Total discounts and loans to member banks during the month of May amounted to $71,966,894; rediscounts for other Federal Reserve banks amounted to $2,038,200. Acceptances purchased amounted to $11,419,746, a total of loans and investments during the month of $85,531,840, compared with $61,161,414 in April, and $25,878,818 in May, 1917.

DISTRICT NO. 4—CLEVELAND.

The concentration of the efforts of commerce and industry on the production of articles most needed by the Government for its own use and the support of the allies continues. Business generally is measuring up to the necessities of the times to escape the drawbacks which beset unnecessary production, and throughout the entire district there is apparent a substantial confidence that shows faith in the future.

Agriculture.—In the northern part of the district considerable damage is reported to fruit trees by reason of the extreme cold of the past winter, and early frosts have in places killed the fruit. In the southern part of the district wheat is now being harvested, and prospects for a large yield were never better. In the northern part the outlook for this grain is improved over last month. Generally for the district it is expected that the crop will surpass the average.

In the Toledo district corn is said to be two weeks further advanced than at the same time a year ago, while in other places it is reported somewhat backward but doing fairly well. In some districts the oats are already headed, and generally throughout the district the prospects for a good yield are almost certain. The acreage in potatoes is large. In some parts of the district it is reported that this crop is suffering from lack of rain. It is yet too early to estimate the amount of the yield.

War gardens in the city and suburban districts are of larger areas than last year; small vegetables are growing well, and are of exceptional quality. Apparently a great many people will be able fully to supply their own needs.

Labor.—The pressing demand for labor continues. However, in the large manufacturing districts it is believed that the labor situation is less difficult than last month, or a realization that a shortage is to be expected has resulted in an acceptance of the fact. Girls and women are being employed in increasing numbers. Agriculture and industry are intensifying their efforts to meet the loss occasioned by the men's leaving for the camps.

Collections.—It is generally reported that there is very little cause for complaint in this line. The number of requests for extensions is not more than usual, and failures for the district are below the average. It would seem that a closer scrutiny of credits and a scarcity of goods tends to confine sales to the responsible buyers.

In quarters where a slight tendency toward deferred settlements is reported, it is explained as a result of heavy tax payments at this time.

Transportation.—Transportation service in the main is only fairly satisfactory, although somewhat better than a month ago. However, there are still complaints from a number of districts. These complaints are for the most part from districts which are largely dependent on one line of industry, and due to embargoes this industry has been placed in an unusual position. In some quarters delays have had a rather serious effect on smaller companies.

Mercantile lines.—The jobbing business continues to be very large, and promises to exceed the average for the season. Prices are increasing, a strong demand is apparent and seasonable goods are readily disposed of.

Retailers in the large manufacturing districts report an increase over last year in money value of sales due to the increase in the cost of merchandise, but that the sales and actual volume of business is smaller than in previous years.

In some of the outlying districts it is reported that the wave of economy is affecting merchants to a considerable extent and that business is not as active and sales have decreased in number.

Manufacturing.—Operating conditions surrounding blast furnaces and steel mills show a marked improvement, and capacities are being increased. It is said that practically 95 per cent of the material produced in the district is being taken by the Government either in direct shipments or indirectly as raw material to concerns outside who are furnishing the finished product to the Government.

The demand for pig iron is very heavy, and firms not engaged along essential lines have difficulty in obtaining a supply. A brisk demand is noted for structural steel and iron for bridge purposes and for use in additions to manufacturing plants. A shortage in sheet bars has very materially reduced the output of mills using this product. Generally in all lines of iron and steel manufacture the demand is unequal to the supply, and production is at the maximum when supplies, labor, and transportation can be secured.

Face brick manufacturers report a very much decreased output due to the general depression in building lines. The character of the buildings being erected is such as not to require a desirable quality. Window glass manufacturers continue to operate under restrictions, and very little change is reported in this line.

The demand for pottery is greater than the production, due in part to the scarcity of a sufficient labor supply to operate the plants to capacity. Inadequate transportation facilities also conspire to reduce the output, and in some quarters brick and sewer-pipe kilns have ceased operation. In many quarters in the clay products line an uneasiness is felt as to the final outcome of this class of manufacture as to what extent their products will be ruled as nonessential.

Coal production is still short of expectations, and little change is noted either from the standpoint of production or in the strong demand which still continues. It is reported by large producers that this industry is still very much hampered through lack of transportation facilities, and a fear is expressed that if these facilities were adequate a supply of labor could not be obtained. Retail dealers report difficulty in receiving supplies sufficient to fill orders already booked for domestic use, and it is equally true of both bituminous and anthracite, partly due to householders placing orders now which in other times would be placed later in the year.

Building.—In sporadic instances only the building permits show an increase over last year, due to furnishing homes to workmen where large Government plants have been erected. The general decline continues. In a number of instances there is reported a shortage of housing facilities, and, in general, the operations in this line are confined to cases of absolute necessity.

Money and investments.—The demand for money is very strong, and the ruling rate is 6 per cent. In some quarters an inclination is shown to increase this rate on other than commercial and Government loans. Tax payments have been provided for, and bankers are now looking forward to the purchase of certificates of indebtedness to take care of subscriptions to the new loan.

DISTRICT NO. 5—RICHMOND.

The financing and collection of Liberty loan subscriptions and income taxes have held the center of the financial stage in this district during the past month. They have made large demands on the resources of the district, and a material expansion of loans in the banks and in the Federal Reserve Bank has been a natural sequence, but it has been accomplished with a smoothness which has caused scarcely a comment.

Jobbers and retailers report active demands for all classes of goods, sales largely for cash and limited only by supplies. Money was never so plentiful with wage earners and they are spending it freely, almost recklessly. In the port cities of the district retail business has been extraordinary on account of large increases in the volume of labor on Government and other work. Interior points where Government activities are on an extensive scale report similar conditions. A large packing house advises that although the demand from the country districts is not up to that of the corresponding period last year, which is due to the supply of home-cured products, this is more than offset by the increased demand from the larger towns and cities and manufacturing districts which take a product of better class and higher price.

Crop reports are too favorable to justify the expectation that present conditions can be fully maintained. Weather conditions have been so far above the average that a reaction to restore the average would only be natural. "Have never seen crops in such fine condition" is the general tenor of reports. Cotton prospects are said to be the best since 1911; a dry May resulted in good stands and the crop is reported in excellent condition. Some reports indicate a reduction in corn acreage, but corn, wheat, oats, and hay promise an abundant yield. Final results depend largely on success or failure in harvesting. A large miller reports that "wheat milling through this section has been extremely dull for three months, but we have in prospect at the present time a local crop of both large acreage and very promising appearance. Cutting will begin within the next 10 days, so we figure that by early July our wheat mills will be again in operation, with the prospect of an unusually large crop. Due to the regulations of the Food Administration calling for substitutes, in order to help out the short wheat crop of 1917, we were unusually busy in our corn mills for the late winter and early spring months, but this business has now slowed down, due to the heavy early buying and to the fact that vegetables are now becoming plentiful, which always cuts the meal demand with us." Truck shipments have been very heavy and some sections report profitable returns, but others report that the high cost of production has left no net.

Tobacco in Virginia and North Carolina is about the same as last year, South Carolina reporting a considerable increase. The crop is in average condition. The South Carolina season opens July 1, the North Carolina season will follow closely, and the Virginia season is expected to open by August 15. Stocks of leaf tobacco of all grades held by dealers for sale are smaller than known for 25 years, especially tobacco suitable for cigarette manufacture. The only considerable stocks held are those already purchased by manufacturers.

Grazing sections report good shipments of cattle and lambs at double former money values, the returns realized being highly satisfactory.

Canning is reported to be normal, a good supply of corn, peas, and beans being obtainable.

The output of lumber has decreased to 50 per cent to 60 per cent of normal. Some mills report that cars are a little more readily obtainable, but there is still general complaint in regard to shortage, and also the difficulty of shipping by water. Labor continues a difficult problem. A prominent manufacturer says: "Contractors performing work for the Government at cost, plus 10 per cent, have certainly demoralized labor all over this part of the country, and, if this is to continue, it looks to us as if the lumber mills and other industries necessary to the prosecution of the war are going to have to shut down; that is, if the Government insists upon fixing prices at or below the cost of production, they are going to have to take over the industries or allow the owners to operate same under an agreement to furnish the Government such lumber as it may require on the basis of cost, plus a small profit."

Manufacturers in all lines are running to capacity, limited only by labor and supplies. Coal conditions are reported as improving, with a better supply of cars, but the complaints of inadequate labor are reiterated. Women are beginning to take the place of men in lighter lines of work, but this has not yet obtained to any very considerable extent.

The views of a large textile manufacturer on the banking situation may be considered disinterested. He says: "Southern banks having been well supplied with cash, due to the general prosperous condition of the section, have taken care of all legitimate needs of their customers, as well as thoroughly backing up in proper patriotic spirit all war efforts of financial character. The section could hardly have a better general condition or a more favorable general outlook."

General crop and commercial conditions throughout the district are highly favorable, Government operations at the various camps and on the coast are extremely active, and large disbursements are the result.

DISTRICT NO. 6—ATLANTA.

There is very little incentive to engage in any new business—primarily on account of the high cost of raw material, as well as machinery and other necessities, and secondarily on account of the difficulty in securing delivery of these things. Some of the older manufacturing establishments in our district have enlarged on account of the necessities of the times, but there has been no desire to do this.

Agricultural.—Alabama: Cotton conditions in general throughout the State of Alabama are fair to good. The crop has made good growth. However, reports of the spread of the boll weevil are somewhat discouraging.

The wheat crop for the State is reported as 1,640,000 bushels, as compared with 930,000 bushels last year. The acreage of oats and corn is found to be 583,000 bushels, as compared with 540,000 last year. Figures on the hay crop show more than double of that of last year. Agricultural conditions in general for the State are very promising.

Florida: Crop conditions in general for the State are reported the best for the past 30 years. The acreage to cotton will not exceed that of 1917. The reason that cotton has remained at a practical standstill regarding acreage is that the agitation in Congress over the reduction in price of the staple has caused many farmers to fear a loss in case they should increase their acreage. In numerous instances in this State where larger acreages had been planted much of it was plowed up and planted to corn because of this belief.

Peanuts are fair to good, as are also castor beans, citrus fruits, melons, and tobacco. Some rust and spider are reported locally in citrus groves.

Large areas of the State have been planted to wheat, and the greater part of this staple has been harvested. The oats crop is the largest known, and has all been harvested, and reported of the finest quality.

Georgia: Crops on an average throughout the State indicate that they are about three weeks late, but they are in very good condition, except the cotton crop in the boll weevil sections. The conditions relative to the boll weevil are worse than at this time last year. While making a tour of south Georgia the last few days it was observed through the coastal plains section that thousands of acres of cotton are being plowed up and planted to corn and cow peas, on account of the ravage of the boll weevil. There will not be an acreage equal to that of last year to be cultivated to maturity in cotton, and speaking conservatively it may be said that acreage to cotton this year will be 10 per cent less than last year.

The setting out of sweet-potato slips continues, and it seems that even a larger crop has been planted than last year. The planting of peas for hay is under way; corn is reported good to excellent and earing well.

In the northern districts the harvesting of wheat and oats is nearing completion. However, spring oats remain yet to be harvested.

The peach crop is abundant, and reported of good quality, although having been damaged in some portions of the State by storms. The conservation of ice has been ordered to make sufficient ice available to move the large crop safely.

Louisiana: The weather throughout the State has been generally favorable, but the showers were irregularly distributed. Cotton is in good condition, and is blooming. It is mostly well cultivated. Reports of the boll weevil are increasing.

Corn and some sugar cane have been "laid by." The potato, oats, and wheat harvests are mostly completed.

Good crops of pears, plums, and peaches are being gathered.

The sweet-potato acreage will be increased from 15 to 20 per cent over that of last year.

Mississippi: Crop prospects for the State are reported very satisfactory. Cotton is blooming and fruiting, and a considerable increase in acreage over that of previous years is reported. Oats and wheat have been harvested, and while the acreage was small, the yield is highly satisfactory. Corn prospects all over the State, due to the favorable weather conditions, are excellent. Alfalfa is doing splendidly and has been cut for the second time. Potato, oats, and wheat harvests are practically completed, the season having been especially favorable. There appears to be a large supply of sweet-potato slips, and a large acreage is expected.

Tennessee: Due to the lack of rain, crops in general are suffering. However, weather conditions for harvesting wheat, rye, and winter oats were good.

The outcome of the wheat crop has been somewhat disappointing, it being reported that the heads are not well filled, due to rust and other diseases having affected the grain in its final development.

Corn, cotton, tobacco, potato, and other staples are doing well. Corn to some extent has been laid by. The large production of tobacco from this State is now being moved at most satisfactory prices.

Building.—Building continues inactive, with the exception of Government construction work. This is primarily due to the desire of city and town authorities to comply with the wishes of the Government that unless absolutely necessary for the general health and welfare very few new buildings should be constructed.

The Capital Issues Committee for this district has received many applications for the issue of new securities, but very few have been granted; and only those that are absolutely necessary for the national interest, and for the particular communities where it is shown that the health demands require it.

Labor.—Labor conditions continue very unsatisfactory, and this becomes more manifest daily. Women are largely taking the places of men in the fields, running elevators, and doing other manual labor heretofore entirely done by men and boys.

Live stock.—The live-stock industry throughout the district is increasing rapidly, and to meet the demands in this section Montgomery, Ala., has recently built and opened a large stockyard plant.

Iron and coal.—Business conditions in the iron and steel industry as to demand are most satisfactory, but labor conditions in this industry and others whose products enter into the manufacture of iron and steel have never been more unsatisfactory. Wages now paid bring to the men an income not heretofore received, and this results in their working three to four days, and not in excess of five days per week. This decreases production of coal, ore, coke, and commodities necessary for the manufacture of iron. As to skilled labor, it is difficult to keep in the service competent men, on account of high wages paid in Government operations, although the present scale paid for such labor is in excess of any maximum scale heretofore employed.

Financial.—Statistics on business conditions for the month show a marked improvement. Money rates are firm, and banks are rediscounting very freely. Banking operations in general are in a very healthy condition. Figures for the sixth district show 40 failures for the month as against 115 in 1917, involving $209,110 as against $1,439,019 for the year 1917. Stocks and bonds are bringing unusually good prices.

DISTRICT NO. 7—CHICAGO.

The most favorable single condition in this district is that of the very promising state of the crops, except in Michigan.

There is a strong and continuous demand for money generally, and rates are therefore hard at 6 per cent or better. Banks lose deposits when the Government borrows, only to regain them temporarily, through redeposit, or in the ordinary course of business. Tax payments are reported to have been made without inconvenience.

Transportation facilities record a marked improvement, resulting in better distribution of raw and finished material.

An unusually strong purchasing power is observed to exist in manufacturing centers where labor is fully employed at high wages. Retailers report an insistent demand in the cities and find difficulty in financing their business, which under present conditions requires, or is thought to require, heavy stocks. Country retail trade is at this time somewhat backward on account of the intensive field work of farmers. Because of Government regulations wholesalers in textiles are denied the usual variety of lines, but still record increasing money returns. In the trade there is a movement toward cash payments and shorter terms.

Short-term notes and municipals have an active market. Long-term bonds are reported not in great demand. Prospective investors in public utilities are uncertain on account of the present attitude of the War Finance Board against rendering direct assistance.

In the agricultural implement line there is no change from the conditions frequently reported in the past, namely, large demand with insufficient material and transportation to enable producers to meet it. It is mentioned that farmers are repairing old machines wherever possible. Crop promise would appear to justify confidence in continuance of excellent collections.

Passenger automobile manufacture is reported curtailed from 50 per cent to 75 per cent, due to Government priority in the steel supply, as well as to the diversion of these factories to the manufacture of trucks, aeroplane engines, and ordnance. Demand for passenger vehicles is, of course, excellent but beyond the ability of manufacturers to satisfy. There is no complaint that automobile manufacturers are being financially injured but simply that the advent of the Government as a customer operates to exclude the civilian public.

No new activity or improvement is observed in the building line. Banks quite generally are discriminating against loans the proceeds of which go into fixed investments. Inability to secure funds, together with high costs of labor and material, offer a ready explanation of the marked recession over past years. May' 1918, building permits granted in 15 cities of the district, including Chicago, aggregate 3,080 for a value estimated at $9,700,000, against 4,947 permits in May, 1917, estimated at $18,800,000. The number of permits granted in May, 1918, in Chicago was 379 against 619 for the same month last year. Values were respectively $3,700,000 for 1918 as against $6,500,000 for 1917. May of this year shows approximately a 50 per cent improvement over April in valuation of buildings for which permits were granted.

Improvement in car supply would permit a fair distribution of coal for next winter's requirements. Agitation of the need for providing against a repetition of last winter's shortage has brought out an excellent demand. Supply is now restricted to some extent by labor scarcity.

Confectioners experience seasonal dullness. However, the restriction against the use of sugar prevents their filling even the reduced volume of orders. Transportation is somewhat improved. Labor is scarce and independent. Collections are good.

There is nothing new to report in the whisky business. Liquidation of stocks continues at mounting prices. Maltsters and brewers are seriously hampered by labor shortage. Domestic distribution is improved, with good transportation facilities, but export permits are not obtainable.

There is a tentative agreement between cotton goods merchants and manufacturers and the War Industries Board that all sales made for delivery after January 1, 1919, be made at prices to be agreed upon later, and that all bona fide sales made after June 8, 1918, for delivery after September 30, 1918, be subject to price revision. This is taken to mean a reduction and has caused hesitation in buying. Still, demand continues strong, while goods are scarce. Retail purchasing power is great on account of high wages and salaries.

Business in the furniture line enjoys increased volume due to high prices and not to tonnage. Some orders are being placed against further advances. Cost of doing business is continually on the increase.

As the season advances with nothing to mar crop prospects, the belief grows stronger that we shall raise the largest crop of wheat, corn, oats, barley, and rye that has ever been known in the United States. Wheat harvest has begun in southern sections and a large movement is confidently expected around the first of the coming month (July). The corn is reported to be in excellent condition and other crops as well.

Wholesale grocers are enjoying a large money volume of business, with collections much improved due to efforts to reduce sales terms and to encourage and demand cash settlement when possible. Demands for sugar for home preserving of fruit is strong. Retailers in farming communities have observed a falling off in sales to farmers due to their close attention to the crops at this time.

There is reported a strong demand for hardware, probably on account of the scarcity thereof. Volume is excellent and collections satisfactory.

Price fixation now imposed on hides and skins is expected to be extended to cover all classes of leather. Tanners and factories are reported employed to capacity on Government and civilian work. Labor scarcity hampers production. Price fixation is generally welcome as a stabilizing element.

Live stock receipts at Chicago show an increase for the four weeks ending June 15 over the same period last year, but a noticeable decrease for the same period last month. Stock has been of good quality. There is a healthy demand for beef. Domestic and foreign shipments have been heavy. Prices are well maintained. Comparative receipts of live stock at Chicago for the four weeks ending June 15, 1918, and a corresponding period in 1917:

	Cattle.	Calves.	Hogs.	Sheep.
1918	213,112	64,538	493,042	200,149
1917	203,848	51,974	485,141	154,759

Lumber business is still "spotty." No general or consistent demand is experienced as normal building operations are at a standstill. There is some anticipatory buying against freight advances.

Mail order houses are maintaining average volume, with a reported scarcity of many articles, though the situation is not as unfavorable as it has been on account of better transportation. Collections are excellent.

Piano orders are in large volume. Labor shortage prevents full delivery. Transportation and materials seem readily available. Collections are good.

Nothing more can be said of the steel industry than that the question is only one of production, as there is only one customer, the Government, who either takes the product or assigns the privilege of buying it.

Jewelry houses report steady increase in volume, with improvement in all departments except silverware, which shows a considerable reduction. This condition is laid to the absence of the formal wedding. Demand for watches of all descriptions continues to absorb and exceed the production of manufacturers. Collections are very good.

Government control of raw wool will operate to make civilian woolens increasingly scarce. Uniform cloths practically absorb the mills and wool is not being alloted for civilian use.

Clearings in Chicago for the first seventeen business days of June were $1,375,000,000, or $114,000,000 less than for the corresponding seventeen business days in June, 1917. Clearings reported by twenty-two cities in the district outside of Chicago amounted to $311,000,000 for the first fifteen days of June, 1918, as compared with $284,000,000 for the first fifteen days of June, 1917. Deposits in twelve member banks in Chicago were $870,000,000 at the close of business June 20, 1918, and loans were $607,000,000. Deposits show a decrease of approximately $8,000,000 over last month, and loans an increase of approximately $23,000,000.

DISTRICT NO. 8—ST. LOUIS.

Business in this district is more and more adjusting itself to meet the needs of the Government in the prosecution of the war. Manufacturers are enlarging and remodeling their plants to do Government work, and some new enterprises are being launched for the production of essentials. Efforts are being made to meet the demands of the Government as efficiently and expeditiously as possible.

Industries are generally active throughout the district, especially those which contribute articles needed in the conduct of the war. Some of the shoe manufacturers have called in their salesmen, as they have sufficient orders on hand to insure capacity operations for some time. Wholesalers and jobbers of dry goods report that there is a good demand for merchandise for both summer and fall use. Dealers in farm implements say that sales are unusually large. Some of the wholesale grocers state that their sales are considerably below last year, due to the restrictions placed by the Government on numerous articles handled by them.

Department stores and retail merchants generally report good business. Many state that the volume of their business is in excess of this time last year, measured in dollars, but that the number of transactions or articles sold is about the same as or less than last year. Apparently more economy and discrimination in purchasing are being practiced.

Collections, as a rule, are reported to be good, many of our correspondents stating that they are excellent. It is said that bills are being paid more promptly and that the demand for credit is diminishing. This, no doubt, is due to the increased wages to all classes of labor, and the high prices which the farmer is receiving for his products.

The chief disturbing factors in business are the scarcity of materials, the high prices, delays in transportation, and the limited supply of competent workmen.

Favorable crop conditions continue, and the prospects are the best in years. The condition of all crops in the States included in this district was estimated by the Government on June 1 to be 11.2 per cent better than the ten-year average. Harvesting of winter wheat has begun in this district, and a large output is expected. According to Government estimates, the condition of the winter wheat in Indiana, Illinois, Missouri, Kentucky, and Tennessee, on June 1, was 96.6 per cent, which is 18.8 per cent better than the ten-year average. The acreage in these States is estimated to yield 176,490,000 bushels of wheat, as compared with 105,162,000 bushels for 1917 and the five-year average of 114,823,000 bushels. Spring wheat is also growing satisfactorily, with an acreage in excess of last year. The condition of cotton in Arkansas, Mississippi, Missouri, and Tennessee was estimated by the Government on May 25 to be 85 per cent, which is 3.3 per cent better than the 10-year average. Reports have been received that the boll weevil has appeared in some sections of the cotton territory, but no concern is felt as yet on its account. Corn is doing well, with plenty of sunshine and moisture. Practically all minor crops are satisfactory, and the present indications give favorable promise of abundant foodstuffs.

In the live-stock market trading in cattle during the past month has been about the same as last year, but there has been a falling off in the demand for horses and mules. The demand for hogs has been steady, while increased activity is noted in sheep.

Reports from the leading cities in this district indicate little change in building operations. Due to the high cost of materials and labor, and the policy of the Government to restrict unnecessary building, so as to release capital, labor, and materials for war purposes, very little construction work is going on except that which is absolutely necessary.

The outstanding feature in financial circles during the past month has been the payment of the Federal income and excess profits taxes on June 15. This was accomplished with little strain on the banks or disturbance to the money market, due to the arrangement for redepositing the funds with qualified depositary banks, and also to the fact that many persons and corporations paid their taxes with United States Treasury certificates which they had previously purchased.

There is a good demand for money, and the bank rate to customers continues firm at 6 per cent in the large cities and somewhat higher in the country districts.

The commercial paper market is quiet, with 6 per cent as the ruling rate for all names and maturities.

DISTRICT NO. 9—MINNEAPOLIS.

Some localities in the western portion of the district report that additional moisture is needed to assist the progress of the crop, but the unfavorable reports are few, and the outlook over the district as a whole continues to be excellent.

Some damage to growing crops may be expected as the season progresses, but the outlook is so good that even a considerable injury to the present prospects will not destroy the promise of an exceptionally large output.

Corn has been somewhat backward due to the lack of warm growing weather, but has made good progress in the last two weeks and promises well. Late sowing has improved the flax acreage, and the outlook for that crop is favorable. Pastures have greatly improved during the past 30 days, as have forage crops.

Although this is not an industrial district, the amount of production on war orders is steadily increasing, and all the plants that are producing goods and materials for the Government are steadily increasing their output.

The labor situation is good, although the effect of the draft is beginning to show itself in the increasing employment of women.

Retail trade conditions show little or no change. The demand for merchandise is good, and most concerns are doing a fair average volume of business. In the large centers the character of the buying has changed somewhat, and those who were formerly liberal purchasers of the better grade of goods are not so much in evidence. In their place a considerable number of new buyers has appeared, indicating that favorable wage rates and opportunities for full employment have created a new class of buyers and provided an offset against the natural shrinkage of sales due to war conditions.

Shipyards at the head of the Great Lakes are working night and day on merchant ships and are beginning to make substantial contributions in response to the demands of the Shipping Board.

Banking conditions show little change. The demand over the district is active in consequence of the increased cost of agricultural operations and the larger production this year. Rates are firm and show little change.

The present outlook is uniformly good, and probably will not change during the midsummer period.

DISTRICT NO. 10—KANSAS CITY.

Agriculture.—Crops have continued to improve steadily during the past month. The winter wheat prospect, as a whole, owing to abundant rainfall in nearly all sections, has shown marked improvement during May. The crop is generally reported in excellent condition throughout all the States, except in limited districts where it was damaged by drought. Harvesting has begun under very favorable conditions and the district will have, by all indications, the largest crop ever produced excepting the phenomenal harvest of 1915. The condition of the grain, as reported by Government estimates on June 1, in the five principal wheat-growing States of this district, averaged 80 per cent of normal, or 2 per cent in excess of the 10-year average. For this district the crop is placed at 232 million bushels.

Old wheat supplies have been practically exhausted and supplies of flour are only about one-third of those on hand a year ago. Before the present harvest comes in stocks of wheat in all bins and elevators will be smaller than ever before. Receipts on the local market during May were about one-ninth and shipments less than one-hundredth of those for the same month last year. Local mills were grinding at only 5 per cent of capacity during the past week. With 69 mills reporting in this district, averaging but 38 per cent of capacity, the flour output for the past month decreased nearly two-fifths under the same period a year ago, when the mills were running at 61 per cent of capacity.

The plan for marketing the new wheat crop has just been announced by the Food Administration. A maximum price will be fixed for flour, based on a reasonable milling profit above the guaranteed price for wheat, and millers and grain dealers will then be permitted to compete for the merchandising of the wheat crop.

The corn and oats movement has continued fairly large and prices showed a lowering tendency until shortly after June 1, when they rallied strongly. This section has good supplies of both grains, but they are not being marketed any faster than needed. Stocks of corn on the four principal markets decreased two-fifths during May, while oat stocks remained practically stationary. Receipts and shipments of corn on the local market were one-half and two and one-fourth larger, respectively, than those of the same month last year. The new crop prospects for both of these cereals are promising. The oats crop is well advanced with the expectation of a yield equal to last year's large one, and corn has made a favorable start on a large acreage. The oats crop forecast by Government estimates on June 1 was for 225 million bushels in the States of Kansas, Missouri, Oklahoma, and Nebraska, based on an acreage of nearly 8 million, the average condition in these four States being 87 as compared with the 10-year average of 81 per cent.

Live stock.—Liberal supplies of cattle continue to arrive at all western markets, the movement to the principal markets for May, however, being one-tenth smaller than a year ago. Prices are maintained around the highest levels ever reached, and are $2 to $4 higher than at this time last year. The live-stock industry at present is in a very good condition. Shipments of cattle back to the country are larger than a year ago, which indicates that grazing conditions are good and reflects the confidence of feeders and pasture men in the future stability of the market. Intensive feeding methods and high prices for fat cattle have resulted in feeders seeking new supplies earlier than last season. Initial shipments of grass-fed cattle have just been received on the local market.

Sheep receipts on the six important markets of this district for the past month were about 42 per cent in excess of those for May, 1917. The bulk of the local offerings came from Colorado-Kansas feed lots. Packers showed more interest in the market than during the previous month. Lambs continue to sell around $20 per hundredweight, which means good profits for sheep raisers.

The movement of hogs is substantially larger than last year, and district market receipts for May were 5 per cent more than those of the same month last year. The average weight of hogs at four centers was 225 pounds, as compared with 210 pounds for May, 1917. Prices were well maintained above $16 per hundredweight, and an active packing demand was prevalent. Local stocks of hog products decreased moderately during last month, but are still 72 per cent in excess of those on hand June 1 a year ago.

The cattle and sheep men in northwestern New Mexico are facing an unusual and critical situation. As a result of severe drouth, pastures and ranges are burned and barren. Cattle, to escape starvation, will probably be shipped to Colorado and Wyoming for grazing. Ranges in those States are generally reported in good condition, except in scattered areas where there is need of rainfall. Sheep shearing is well under way.

Mining.—Upon the basis of present conditions and indications it is predicted that the coming summer in the mining camps of Colorado will be the dullest of any in recent years. There is no evidence at this time of the usual spring revival in mining, which is attributed to the many uncertainties surrounding all operations and the general feeling that costs must be materially advanced without any chance of a like advance in metal prices. Operators are said to fear the complete shutdown of many properties on account of the recent increase in freight rates. Labor is again showing signs of unrest; demands for larger wages have been made in some camps, and there is apparently no prospect of meeting these in view of the foregoing conditions.

The market for zinc ores in the Missouri-Kansas-Oklahoma district during May showed some improvement. The fixed minimum price of $75 per ton for high-grade ores now in effect makes an approximate advance of $20 per ton over former prices. A decided improvement was also shown in the prices paid for intermediate grade ores, while the average price for all grades throughout the month was about $48 per ton, as compared with $42 in April. For the first five months of 1918 a radical decrease was recorded in shipments and value of all zinc ores, this decrease being 11 and 30 per cent, respectively. Strenuous efforts have been made by the operators to obtain a fixed minimum price on second-grade ores, as well as for the first grades.

During the past month the average price of lead increased from $80 to $87.50 per ton, but the output of the mines was about one-tenth less than in April. Comparing the five months' period of this year with the corresponding period in 1917, a decrease of nearly $25 per ton in the average price, or 22 per cent, and a gain of 5 per cent in shipments have been registered.

Oil.—Kansas oil fields showed more general activity during May than in April. Completions for the month numbered 502, an increase of 28, while the new production was over 35,000 barrels, a slight increase over April. A gain of about 63 per cent is shown in comparing the total estimated production of the past month with the corresponding period last year.

Oklahoma maintained its good record of large production from its many fields. The wells completed were only 5 in excess of the number of completions during the month previous, but the new production obtained was 48,000 barrels, a substantial gain of about one-third over April. Owing to a shortage of new oil-field material and delay in its transportation, some trouble is being experienced by the smaller companies in the purchasing of necessary second-hand drilling supplies, which often can not stand the strain of hard drilling operations. The total estimated production of the State during the past month, as compared with May, 1917, decreased about 7 per cent. Latest figures available show that stocks in storage in the Oklahoma-Kansas fields decreased from over 93,000,000 barrels to slightly under 92,000,000 barrels during the month of April.

The number of drilling wells in Wyoming is still increasing, and the predicted drive for oil in that State is now in full swing. Operations for May were more general than in April, and with 21 completions, as compared with 12 last month, the new production was nearly three times as large. Drills are busy in Colorado and operators hope that the long-sought large oil field in that State will be found this year. It is reported that the quantity of oil that can be extracted from the shale deposits of Colorado is estimated by the United States Geological Survey at 20,000,000 barrels, approximately three times the total estimated oil reserve of the United States lying beneath the ground.

Lumber and construction.—Lumber manufacturing conditions have changed very little. The handicap of labor shortage and the uncertainty of transportation facilities are still present. General reports show that there is no surplus of lumber anywhere, and as Government requisitions continue to take large quantities of material, indications are that the supply will not increase at present. Although there is only a fair demand for lumber at retail yards, however, because of good crops, dealers anticipate a heavy trade during the summer and fall throughout the country districts. General price tendency is upward at the present time. Nevertheless, predictions are that the future problem of dealers will not be that of price, but of securing material, so that it may be available for the consumer. The advisement of fixing lumber prices for its own consumption and for domestic purposes is now under consideration by the Government.

The general trend of building operations in the cities has shown some improvement and the present outlook is more optimistic. Volume of construction work, as reported in the principal cities of this district for May, decreased but 13 per cent under the corresponding month last year, as compared with a decrease twice as large recorded in April. The estimated value of such construction was one-fifth in excess of that of the previous month, and but one-fourth less than the valuation for May, 1917, as against a loss of 34 per cent for the cities of the entire United States. Wichita and Denver recorded substantial gains of 161 and 86 per cent, respectively, over May a year ago.

Labor.—As the result of the cooperation of Government labor offices throughout the wheat districts, the movement of farm labor is being controlled as never before. Supply and demand are being equalized. Government reports show that good wages are being paid the harvest hands, the general wage averaging about $1 per day higher than in 1917. With both a supply of imported labor greater than anticipated and a good supply of local labor, practically all demands from the wheat States have been successfully met. Indications are that future needs will be equally well supplied.

Over a dozen strikes were reported during the past month. Most of these, however, were of little consequence and satisfactorily adjusted. Considerable trouble has been experienced in wage controversies throughout Wyoming between sheep growers and sheep shearers, but mediation was finally effected in all cases.

Mercantile.—The number of commercial business failures in the tenth district during the month of April was 49, as compared with 41 for the same month a year ago. Liabilities of such insolvencies were one-half in excess of those for April, 1917. Purchasing, indebtedness, and payment activity (for the seven States wholly or partially within this district) remain practically stationary, as shown by comparisons between May this year and last year.

Business in all lines is good and manufacturing continues heavy. Wholesale trade in general is unusually large. Retail merchants report a good house trade, with an active demand for merchandise, particularly dry goods and shoes. Indications point to a large volume of business throughout the summer, although there is a scarcity of merchandise in certain lines. The call for drugs is up to normal and sales of groceries and provisions are heavy. Collections are generally prompt, though slow in some cities.

The call on the farmers for increased food production, together with a labor and horse shortage, is bringing the tractor into unprecedented prominence on the farms. Retail dealers report good sales of tractors for immediate delivery and increased needs for harvesting machinery and corn tools. Jobbers of automobiles state the demand for cars is large and farmers continue to place orders in good volume. Automobiles are now scarce because of curtailment in production and reduced transportation facilities, and orders for several of the popular makes are taken subject to indefinite delays.

Financial.—Bank clearings for 17 principal cities of this district during the month of May were about 1,400 million dollars, a substantial gain of 37 per cent over the same month last year, as against the small increase of 7 per cent for all of the cities of the United States. Tulsa and Denver showed increases of 83 and 78 per cent over May a year ago, these being the second and fifth largest gains reported throughout the entire country.

The demand for loans continues strong and rates are firm.

Reports of condition of the State banks by the last call of May 10 show a large increase in deposits over the same date last year, but a slight decrease as compared with the previous call, attributed chiefly to the purchase of Liberty bonds.

DISTRICT NO. 11—DALLAS.

As we enter the hot season, the usual lull in various lines of trade and industry in this district becomes noticeable. Considering this however, and the further fact that conditions are uncertain on account of the war, the commercial outlook in general is satisfactory, and industrial activities are well maintained.

Since May there have been further heavy rains over a large area of the farming belt, and as this is written, agricultural conditions are quite favorable, except in those sections where abnormal conditions exist on account of the protracted drought. The passing month has brought the height of the small grain harvesting in this district, and the weather has been ideal for the same. Reports vary as to the yield of wheat and oats in Texas. Authorities estimate the wheat crop at from 7 to 10 million bushels and the oat crop approximately 40 million bushels. As has been previously stated, the small grain crop will yield little, if anything, in the "Panhandle" section, a part of this district, where, under normal conditions, the grain is largely grown. In more favored parts, the central, north, and northeast, however, the crop is excellent and the yield will be far above normal.

Our correspondents advise that the peanut crop will be unusually large, that corn is looking fine over practically all of the farming belt, and that other feed crops are, as a whole, in excellent condition. The cotton crop is in various stages of development in Texas, and varying reports are received as to its condition. Up to the first week in June the condition of the crop could be summarized as fair to good. The extremely hot weather, however, of the past week has hurt the staple to some extent and should it continue for any great length of time serious damage will result. The authorities report that the acreage planted will show a small decrease as compared with last year, probably 5 per cent.

Wholesale jobbing trade in mercantile lines is good. In dry goods, notions, and shoes, dealers report an active trade, and say that while the number of orders is not as great as in the same period last year, the high prices of such merchandise more than offset the decrease. In groceries, drugs, farm machinery, implements, and harvesting supplies, business is far above normal. Mail-order houses are receiving a satisfactory volume of trade and report orders 25 per cent in excess of last year.

Collections are satisfactory. Retail trade is satisfactory though, as reported in former letters, it is especially noticeable that purchasing is restricted more to necessities than nonessential lines.

The bank situation is quite active and every day proves interesting on account of the extraordinary demand for funds. Our member banks report a decrease in deposits and heavy increase in loans; in fact, in some quarters our correspondents advise that the demand with them is almost unprecedented. As a result the facilities of this bank are being largely used, and during the past 30 days, while our total bills discounted and bought show an increase of only $1,500,000, the increase in member banks collateral notes has increased, within that period, some four million dollars. The situation presents no serious elements, but will necessitate careful scrutiny of credits; this, we believe our member banks are making. Money rates show a slight tendency to advance, though no material increase is expected.

Clearings at the principal cities of the district for the month of May show an increase of 10.7 per cent over the same month for 1917.

The building industry, which has been at low ebb for several months, shows evidence of improvement in the returns for May. The number of permits issued in principal cities in May shows an increase of 65 per cent, and in valuation of 52.1 per cent. The figures were as follows:

Year.	No.	Valuation.
1917	714	$1,281,139
1918	1,179	1,948,876

The lumber mills of the district continue to experience a scarcity of labor, and manufacturers in this section have only enough help to produce about 50 per cent of a normal cut. Some mills are in better condition in this regard and quite a few are below that figure. The mills are well supplied with orders and could run for perhaps 30 days longer if no additional business was procured.

Post-office receipts at the principal cities of the district show an increase of 56.9 per cent for May, over the same period last year.

Cattle conditions continue to improve, as most of the range country has received fine rains since our last letter. There is a better feeling among cattlemen and sheepmen. With the improvement in range conditions the shipping of cattle to other sections for grazing has practically ceased, and the stock is being shipped back into pastures from other sections where it was sent during the drouth. Our correspondent at Tucson advises that spring shipments of cattle from that section, which usually are very large, have been materially restricted on account of the dry weather. At a recent meeting of the Cattle Raisers Association a resolution was adopted favoring the establishment of a through joint emergency freight rate for a period of from 30 to 60 days to assist ranchmen in reshipping their cattle back to pastures in this district.

In the mining sections conditions show little change. Reports from Tucson indicate that the high cost of labor and material has affected production of copper and rare metals, the main industry in that section, and disappointment is felt that the prices of these two commodities have not been advanced or placed upon a more suitable basis. Coal mines of Oklahoma are working to capacity, although a shortage of laborers is affecting operations to a large extent. It is reported that this condition will be improved somewhat by the recent "work or fight" order, which will put the idlers into service.

There is considerable activity in the oil industry around Ranger. This field is being rapidly developed, and authorities state it is destined to become one of the most important in the southwest. A large number of oil men from the north and east have leased property in that section, and the field is being rapidly extended. This has made business good in all lines and activities are booming.

The labor conditions are the same as reported a month ago. There is considerable surplus of labor at most of the shipbuilding plants at Texas ports. There is also a sufficient amount of skilled labor in almost all lines of employment. Farm help continues scarce, and the same is true of railroad laborers and miners. The condition confronting the State with reference to farm labor for the coming cotton-picking season is extremely serious. Efforts are now being made to secure Mexican laborers under temporary suspension of the head tax and literacy test of the Burnett immigration law. This is just getting under way, and it is too early to discuss what success will attend the efforts along this line.

DISTRICT NO. 12—SAN FRANCISCO.

With a large demand and high prices for all agricultural products, with industrial and manufacturing establishments operating at full capacity, and with labor fully employed at high wages, the Twelfth Federal Reserve District is prosperous.

The Government crop report of June 1 gives the following estimate of production of grain for the district:

[000's omitted.]

	1918	1917
Wheat..........bushels..	100,916	70,899
Barley..........do....	55,996	57,664
Oats..........do....	50,652	43,037
Rye..........do....	1,043	580
Hay..........tons..	12,651	13,604

Although a marked increase in production of wheat, oats, and rye, over last year is indicated an extremely cold spring with scanty rainfall has caused a reduction in the earlier estimates. This is most noticeable in California where the barley production is estimated at nearly 6,000,000 bushels less than 1917, although the acreage is only 40,000 less. In California, Arizona, and Nevada the new crop of barley is already coming into the warehouses, and the wheat harvest has started.

Pastures are reported as about 10 per cent below the average. Short crops of peaches and prunes are expected, while apricots and the other deciduous fruits will probably yield an average crop. A heavy crop of cantaloupes is indicated. Fruit is now being shipped from California in considerable quantities, and the canneries are in operation. Lemon and orange groves are in splendid condition. Vegetables show an average condition, but a shortage in sugar-beet production is expected, due not only to adverse weather conditions, but also to a reduced acreage. Present indications point to a normal grape crop at double last year's prices. The Food Administration is regulating the prices of most products on a basis eminently fair to producers and consumers, speculation being prohibited.

California has the highest yield of cotton per acre of any State in the Union, Louisiana ranking second. Acreage, yield, and farm value for the last three years are as follows:

	Acres.	Total production (bales).	Farm value.
1917..........	117,000	67,000	9,380,000
1916..........	52,000	44,000	4,362,000
1915..........	40,000	29,000	1,599,000

The first ocean voyage of the concrete steamer *Faith* was entirely successful. The Emergency Fleet Corporation, as a result of the satisfactory record made, has placed orders for a number of concrete steamers of 7,500 tons dead weight, 2,000 tons greater capacity than the *Faith*, and eight of these vessels will be constructed at a plant to be installed by the corporation in Oakland, Cal.

The threatened shortage of hydroelectric power in northern and central California, due to the small amount of rainfall and snow in the mountains last winter, has become acute. The electric power companies have, with the approval of the State Railroad Commission, agreed to the pooling of all power resources, and the commission, through its assistant engineer, will exercise control over the distribution of power between companies and from the companies to consumers.

May bank clearings for 20 principal cities of the district increased 20.08 per cent over the same month in 1917. The greatest gain was shown by Seattle with 62.5 per cent, followed by Tacoma with 43.3 per cent, and Portland with 29.3 per cent. San Francisco, although having the largest amount of increase, with

$64,519,000, was sixth in rate of increase with 16.5 per cent.

Building permits for the same cities increased 2.58 per cent.

Lumber production increased during May, until on June 12 it was only 4.65 per cent under normal compared with 22.16 per cent a month previous, and is heavier than at any time since the strike of last July. The mills have practically completed shipment on Government orders, but the retail trade has been buying heavily, orders and shipments being 13 per cent above normal, and further orders from the Government are expected in the near future on account of the housing projects at Bremerton Navy Yard and other coast industrial centers, as well as for 100,000 new freight cars recently authorized by the Railroad Administration.

The limited sales of war-savings and thrift stamps indicate that, although the public subscribed liberally to the three Liberty loans, it has not yet realized the importance of this form of Government finance. It is only by constantly practicing self-denial in the purchase of luxuries and the curtailment of all unessential spending that the people can accumulate the surplus savings necessary to supply the increased amount of money needed by the Government. War-savings and thrift stamps, being in small denominations and purchasable almost anywhere, furnish a convenient means for the prompt investment of the amounts realized through small economies. On a basis of $20 per capita each year this district should buy $8,750,000 of stamps each month. Actual sales to May 31, 1918, have been as follows:

Arizona	$1,030,137.00
California	4,106,351.59
Idaho (incomplete)	93,683.50
Nevada	303,552.85
Oregon	3,425,173.07
Utah	1,055,480.00
Washington (incomplete)	4,520,118.52
	14,534,496.53

On June 12, 1917, the Federal Reserve Board at Washington, D. C., approved the application of the first State bank member of the Federal Reserve system in the Twelfth Federal Reserve District. On June 15, 1918, there were 50 State member banks in the district. The applications of 2 other banks have been approved, and 12 applications are pending. These banks are divided among the States of the district as follows:

Arizona	1
California	3
Idaho	16
Nevada	0
Oregon	13
Utah	6
Washington	25
Total	64

The total resources of the 41 State banks, which were members at the time of the May 10 report of condition, were $84,738,000, approximately 6 per cent of the resources of all the State banks in the district.

The deposits of all national banks in the district increased between March 4, 1918, and May 10, 1918, $14,479,000, or 1.526 per cent, and loans and discounts increased only $4,970,000, or 0.79 per cent. During the year May 1, 1917, to May 10, 1918, deposits increased $75,453,000, or 8.50 per cent, and loans and discounts $51,322,000, or 8.803 per cent. Comparative statements follow:

DEPOSITS.

	May 10, 1918.	May 1, 1917.	Increase.	Per cent increase.
Arizona	$11,650,000	$8,504,000	$3,146,000	36.994
California	576,088,000	538,883,000	37,205,000	6.904
Idaho	40,223,000	37,940,000	2,283,000	6.017
Nevada	11,636,000	10,996,000	640,000	5.82
Oregon	112,890,000	99,115,000	13,775,000	13.897
Utah	38,000,000	41,270,000	[1] 3,270,000	[1] 7.923
Washington	172,467,000	150,793,000	21,674,000	14.373
Twelfth District	962,954,000	887,501,000	75,453,000	8.501

LOANS AND DISCOUNTS.

	May 10, 1918.	May 1, 1917.	Increase.	Per cent increase.
Arizona	$6,652,000	$4,797,000	$1,855,000	38.67
California	398,957,000	364,399,000	34,558,000	9.483
Idaho	29,252,000	25,910,000	3,342,000	12.898
Nevada	7,227,000	6,798,000	429,000	6.31
Oregon	70,789,000	62,679,000	8,110,000	12.938
Utah	27,362,000	29,163,000	[1] 1,801,000	[1] 6.175
Washington	94,076,000	89,247,000	4,829,000	5.41
Twelfth District	634,315,000	582,993,000	51,322,000	8.803

[1] Indicates decrease.

GOLD SETTLEMENT FUND.

Shifting of credits between reserve banks largely on account of Government fiscal operations, including payment of maturing issues of certificates of indebtedness and transfers to New York of funds received from income tax and third Liberty loan payments, resulted in combined clearings and transfers through the gold settlement fund for the 5-week period from May 16 to June 20, 1918, of $4,590,254,000 averaging $918,050,800 per week against a like average of $946,351,250 for the preceding 4-week period. The settlement of June 20, amounting to $944,253,000, was the second largest since the commencement of the operation of the fund, the record total of $979,920,000 being reported for November 22, 1917, the week following the first installment payment on the second Liberty loan. Combined clearings and transfers for the week ending June 20 aggregated $1,140,258,000 and were the heaviest since the establishment of the fund.

Changes in the ownership of gold in the banks' fund through transfers and settlements during the 5-week period amounted to 1.46 per cent of the total obligations settled, as against 1.45 per cent during the preceding 4-week period. Net changes in the ownership of gold since the commencement of the operation of the fund May 20, 1915, to June 20, 1918, amounted to 1.06 per cent of the total obligations settled during that period. New York, Richmond, and Chicago banks show the largest gains through the shifting of credits in the fund during the period under review, while Cleveland, Philadelphia, and St. Louis show the largest decreases.

Deposits of gold in the banks' fund from May 16 to June 20 totaled $128,239,200 against gold withdrawals of $6,041,700, resulting in net gold deposits during the 5-week period of $122,197,500, of which $83,904,000 or 68.6 per cent was deposited by the Federal Reserve Bank of New York. Net deposits of gold in the agents' fund between May 16 and June 20 amounted to $10,700,000, resulting in an aggregate gain in the combined funds of $132,897,500, or 13 per cent of the combined funds on May 16. The increase in the combined funds from January 1 to June 20 amounted to 44 per cent of the holdings on January 1, 1918.

Below are given figures showing changes in the fund between May 17 and June 20, both inclusive.

Amounts of clearings and transfers through the gold settlement fund by Federal Reserve Banks from May 17, 1918, to June 20, 1918, both inclusive.

[In thousands of dollars.]

	Total clearings.	Balances adjusted.	Transfers.
Settlement of—			
May 23	$811,721	$30,765	$69,800
May 31	746,483	79,864	72,000
June 6	711,493	48,753	131,000
June 13	824,499	34,257	83,000
June 20	944,258	29,233	196,000
Total	4,038,454	222,872	551,800
Previously reported for 1918	14,364,059	1,117,299	1,604,895
Total since Jan. 1, 1918	18,402,513	1,340,171	2,156,695
Total for 1917	24,319,200	2,154,721	2,835,504.5

	Clearings and transfers.
Total for 1918 to date	$20,559,208
Total for 1917	27,154,704.5
Total for 1916	5,533,966
Total for 1915	1,052,649
Total clearings and transfers from May 20, 1915, to June 20, 1918	54,300,527.5

Changes in ownership of gold.

[In thousands of dollars.]

Federal Reserve Bank.	Total to May 16, 1918.		From May 17, 1918, to June 20, 1918, both inclusive.				Total changes from May 20, 1915, to June 20, 1918.	
	Decrease.	Increase.	Balance to credit May 16, 1918, plus net deposits of gold since that date.	Balance, June 20, 1918.	Decrease.	Increase.	Decrease.	Increase.
Boston		61,000	68,910	65,375	3,535			57,465
New York	601,176		106,240	133,127		26,887	574,289	
Philadelphia		85,185	50,223	31,544	18,679			66,506
Cleveland		121,967	48,194.9	26,215.9	21,979			99,988
Richmond	6,645		7,044.6	22,465.6		15,421		8,776
Atlanta		40,293	16,722	24,814		8,092		48,385
Chicago		68,668	63,123.1	74,319.1		11,196		79,864
St. Louis		44,811	33,986	22,476	11,510			33,301
Minneapolis		23,514	22,301.8	15,012.8	7,289			16,225
Kansas City		47,488.5	42,103.6	39,997.6	2,106			45,382.5
Dallas		21,855.5	12,731.2	10,960.2	1,771			20,084.5
San Francisco		93,039	16,446	21,719		5,273		98,312
Total	607,821	607,821	488,026.2	488,026.2	66,869	66,869	574,289	574,289

Gold settlement fund—Summary of transactions from May 17, 1918, to June 20, 1918, both inclusive.

[In thousands of dollars.]

Federal Reserve Bank of—	Balance last statement, May 16, 1918.	Gold withdrawals.	Gold deposits.	Aggregate withdrawals and transfers to agent's fund.	Aggregate deposits and transfers from agent's fund.	Transfers.		Weekly settlements May 23, 1918, to June 20, 1918, both inclusive.				Balance in fund at close of business June 20, 1918.
						Debit.	Credit.	Net debits.	Total debits.	Total credits.	Net credits.	
Boston	63,885		5,025		5,025	2,900		10,783	316,352	315,717	10,148	65,375
New York	22,336		83,904		83,904	194,000	307,000	104,650	1,283,185	1,197,072	18,537	133,127
Philadelphia	55,729		6,490	16,100	10,594	46,000		5,501	448,862	476,183	32,822	31,544
Cleveland	60,754.7	3,034.8	5,475	18,034.8	5,475	54,000	3,000	6,862	339,400	368,421	35,883	26,215.9
Richmond	6,850.4	12.6	2,206.8	2,012.6	2,206.8	15,000	21,800	4,045	200,605	209,226	12,666	22,465.6
Atlanta	8,993	14	2,843	13,114	20,843			3,367	123,100	131,192	11,459	24,814
Chicago	81,739	700	9,312.1	30,600	11,984.1	130,900	162,000	41,480	583,812	563,908	21,576	74,319.1
St. Louis	37,421	1,301	992.5	6,301	2,866		6,000	33,659	276,440	258,930	16,149	22,476
Minneapolis	18,572	100	3,829.8	100	3,829.8	18,000		2,713	112,512	123,223	13,424	15,012.8
Kansas City	35,848.2	75.6	3,331	2,075.6	8,331	45,000	8,000		151,955	186,849	34,894	39,997.6
Dallas	7,397.9	503.7	837	503.7	5,837	16,000	8,000	993	71,363	77,592	7,222	10,960.2
San Francisco	21,088	300	3,993	9,500	4,858	30,000	36,000	8,819	130,868	130,141	8,092	21,719
Total	420,614.2	6,041.7	128,239.2	98,341.7	165,753.7	551,800	551,800	222,872	4,038,454	4,038,454	222,872	488,026.2

Federal Reserve agents' fund—Summary of transactions from May 17, 1918, to June 20, 1918, both inclusive.

[In thousands of dollars.]

Federal reserve agent at—	Balance last statement, May 16, 1918.	Gold withdrawals.	Gold deposits.	Withdrawals for transfer to bank.	Deposits through transfers from bank.	Total withdrawals.	Total deposits.	Balance at close of business June 20, 1918.
Boston	31,500	3,000	21,000			3,000	21,000	49,500
New York	65,000							65,000
Philadelphia	75,734	1,000		4,104	16,100	5,104	16,100	86,730
Cleveland	70,000				15,000		15,000	85,000
Richmond	29,500				2,000		2,000	31,500
Atlanta	33,420	3,000		18,000	13,100	21,000	13,100	25,520
Chicago	148,393.5	1,500		2,672	29,900	4,172	29,900	174,121.5
St. Louis	35,093.8	300		1,873.5	5,000	2,173.5	5,000	37,920.3
Minneapolis	19,500							19,500
Kansas City	34,360			5,000	2,000	5,000	2,000	31,360
Dallas	5,584			5,000		5,000		584
San Francisco	67,796	1,500		865	9,200	2,365	9,200	74,631
Total	615,881.3	10,300	21,000	37,514.5	92,300	47,814.5	113,300	681,366.8

OPERATION OF THE FEDERAL RESERVE CLEARING SYSTEM, MAY 16 TO JUNE 15, 1918.

	Items drawn on banks in Federal Reserve city (daily average).		Items drawn on banks in district outside Federal Reserve city (daily average).		Items drawn on banks in other districts (daily average).	
	Number.	Amount.	Number.	Amount.	Number.	Amount.
Boston	5,455	$18,378,786	42,512	$7,273,347	4,641	$7,104,749
New York	8,999	69,375,000	53,920	42,883,299	26,444	15,973,830
Philadelphia	13,257	21,718,223	24,594	4,026,935	12,428	12,161,122
Cleveland	2,583	4,804,933	29,014	17,592,940	1,983	4,283,675
Richmond	1,451	4,639,100	28,580	8,152,612	2,347	4,499,093
Atlanta	2,015	3,025,252	13,038	3,013,178	1,424	3,483,271
Chicago	8,328	19,333,000	26,376	7,480,000	2,188	633,000
St. Louis	2,025	7,315,705	13,459	3,461,191	185	937,833
Minneapolis	2,510	6,203,852	13,698	1,416,083	850	1,109,051
Kansas City	2,017	6,181,497	17,442	7,743,473	633	3,429,163
Dallas	1,124	1,421,147	14,085	5,137,283	602	1,021,625
San Francisco	1,291	2,142,505	18,338	5,224,278	407	1,066,898
Totals:						
May 16 to June 15, 1918	51,055	164,539,000	295,056	113,407,619	54,132	55,703,310
Apr. 16 to May 15, 1918	49,569	178,372,385	287,061	114,099,520	54,888	58,513,363
Mar. 16 to Apr. 15, 1918	55,034	159,441,188	271,506	98,201,962	53,725	53,391,691
Feb. 16 to Mar. 15, 1918	51,408	153,701,375	259,531	113,134,162	51,259	48,556,709
Jan. 16 to Feb. 15, 1918	46,207	153,847,568	227,312	80,248,466	44,654	42,852,372
Dec. 16, 1917, to Jan. 15, 1918	48,549	148,033,108	253,458	89,065,135	49,342	52,175,578
Nov. 16 to Dec. 15, 1917	47,678	171,723,439	240,756	84,440,761	46,353	58,458,952
Oct. 16 to Nov. 15, 1917	47,574	166,552,773	232,723	64,296,210	45,393	53,089,827
Sept. 16 to Oct. 15, 1917	40,591	128,271,466	212,935	47,476,204	40,216	44,984,581
Aug. 16 to Sept. 15, 1917	36,306	100,331,694	182,191	41,323,621	32,564	40,648,168
July 16 to Aug. 15, 1917	36,727	98,075,919	175,625	40,353,278	31,273	37,981,022
June 16 to July 15, 1917	38,476	109,722,256	182,622	41,004,720	33,941	46,762,698
May 16 to June 15, 1917	37,898	97,322,883	179,193	38,599,461	33,150	38,314,393
Apr. 16 to May 15, 1917	33,767	87,370,850	171,093	36,473,163	33,428	36,836,934
Mar. 16 to Apr. 15, 1917	31,162	60,288,002	168,607	32,666,959	32,008	34,693,542

	Items handled by both bank and branches (daily average).		Total (exclusive of items drawn on Treasurer of United States) (daily average).		Items drawn on Treasurer of United States (daily average).		Number of member banks in district.	Number of nonmember banks on par list.
	Number.	Amount.	Number.	Amount.	Number.	Amount.		
Boston			52,608	$32,756,882	6,586	$3,512,219	416	249
New York			89,363	128,232,129	37,826	15,051,800	686	362
Philadelphia			50,279	37,906,280	5,790	3,960,377	629	321
Cleveland	856	$6,606,543	34,436	33,288,091	4,438	2,532,362	775	635
Richmond	291	1,035,685	32,669	18,326,490	1,533	398,186	543	341
Atlanta	289	181,533	16,766	9,703,234	1,380	1,908,840	397	317
Chicago	210	403,000	37,102	27,849,000	9,003	3,115,000	1,164	2,278
St. Louis	253	191,016	15,922	11,908,745	4,323	854,134	487	1,012
Minneapolis			17,058	8,728,986	763	136,096	818	1,143
Kansas City	3,019	3,317,455	23,111	20,671,588	2,630	347,500	972	1,568
Dallas			15,811	7,580,055	1,247	347,295	678	270
San Francisco	2,705	619,883	22,741	9,053,564	2,231	6,890,194	600	1,114
Totals:								
May 16 to June 15, 1918	7,623	12,355,115	407,866	346,005,044	77,750	39,054,003	8,165	9,710
Apr. 16 to May 15, 1918	8,294	15,141,604	399,812	366,126,872	60,771	30,928,185	8,113	9,475
Mar. 16 to Apr. 15, 1918	7,793	8,942,976	388,058	319,977,817	59,228	31,563,675	8,059	9,450
Feb. 16 to Mar. 15, 1918	7,700	6,413,071	369,898	321,805,317	58,991	25,827,757	8,013	9,425
Jan. 16 to Feb. 15, 1918	7,128	5,836,958	325,301	282,785,364	48,224	21,316,033	7,972	9,319
Dec. 16, 1917, to Jan. 15, 1918	7,718	3,402,035	359,067	292,585,856	38,130	21,116,293	7,909	9,268
Nov. 16 to Dec. 15, 1917			343,787	314,623,152	33,806	27,179,053	7,823	9,321
Oct. 16 to Nov. 15, 1917			325,690	283,938,810	30,426	17,496,974	7,826	9,210
Sept. 16 to Oct. 15, 1917			293,742	220,732,251	26,797	13,518,566	7,747	9,052
Aug. 16 to Sept. 15, 1917			251,061	182,303,483	23,492	11,006,515	7,718	8,934
July 16 to Aug. 15, 1917			243,625	176,410,219	19,533	9,701,569	7,683	8,837
June 16 to July 15, 1917			255,039	197,489,674	19,100	11,637,899	7,666	8,805
May 16 to June 16, 1917			250,241	174,236,737	16,344	4,414,508	7,651	8,789
Apr. 16 to May 15, 1917			238,288	160,680,956	15,925	3,597,865	7,634	8,926
Mar. 16 to Apr. 15, 1917			231,777	127,648,503	12,582	2,643,408	7,625	8,607

DEPOSITS AND INVESTMENTS OF MEMBER BANKS, JANUARY TO JUNE, 1918.

During the five and one-half months of the present year net deposits of member banks in about 100 leading cities increased from 9,188.6 millions to 9,638.4 millions on June 14, the maximum, 9,688.3 millions being shown on May 3, the Friday before the close of the third Liberty loan. Government deposits, which on January 4 totaled 550.4 millions, reached a maximum of 1,284.1 millions on May 17, and stood at 868.3 millions about the middle of June. Loans and investments of reporting banks show a more continuous growth, from 11,205.9 millions to 12,659.8 millions on May 10, the Friday following the consummation of the third Liberty loan. Since then redemption of Treasury certificates is responsible to a large extent for a decrease in total loans and investments to 12,506.2 millions.

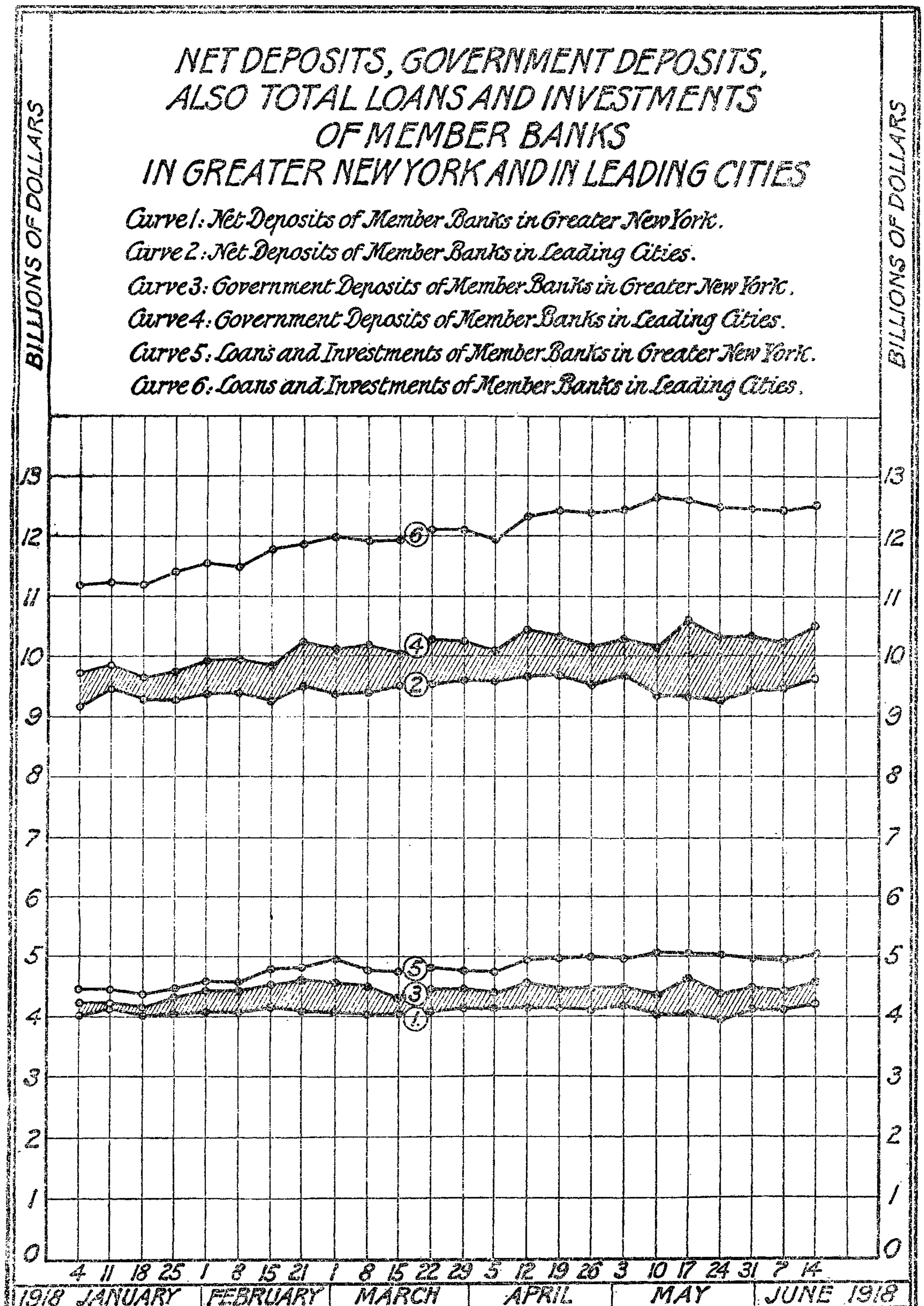
As against an increase during the period of 767.9 millions in total net deposits (including Government deposits) there is shown an increase of 1,300.3 millions in total loans and investments, exclusive of investments of a permanent character, such as bank buildings, real estate, and Federal Reserve stock. The ratio of aggregate loans and investments to total net deposits from about 115 per cent at the beginning of the year rose to over 124 on May 10, and stood at about 119 per cent on June 14.

For the member banks in Greater New York, similar increases in individual and bank deposits but smaller increases in Government deposits are noted. The ratio of aggregate loans and investments to total net deposits, which at the beginning of the year was less than 105 per cent, shows a rise to nearly 116 per cent on May 10 and a decrease to 111 per cent on June 14. It should be noted, though, that while total loans and investments of reporting member banks indicate net liquidation by 153.6 millions, but little change in the item is shown by the New York banks, the latter reporting on June 14 an increase under this head of about 90 millions when tax payments apparently caused a considerable increase in loans.

The larger growth of investments, as compared with net deposits, indicated in the following tables and accompanying diagram, is usually explained by the considerable investments of the banks since the beginning of the year in Treasury certificates only partly offset by liquidation of Liberty bonds, the net increases in investments being reflected only partially in larger deposits. Part of the larger increase in investments may be due also to loans and other investments made in the form of currency, of which increasing amounts remain outside the banks in the pockets of the people.

[In thousands of dollars.]

	All reporting banks.			Greater New York banks.		
	Net deposits on which reserve is computed.	Government deposits.	Total investments.	Net deposits on which reserve is computed.	Government deposits.	Total investments.
1918						
Jan. 4	9,188.6	550.4	11,205.9	4,006.7	232.4	4,447.9
11	9,466.3	419.0	11,237.5	4,122.2	129.2	4,422.1
18	9,286.2	354.7	11,214.4	4,026.3	141.5	4,373.7
25	9,284.3	485.1	11,411.6	4,046.5	264.2	4,468.4
Feb. 1	9,376.9	555.8	11,542.6	4,095.3	347.8	4,592.7
8	9,380.6	593.3	11,494.5	4,086.8	343.5	4,574.3
15	9,260.6	621.8	11,792.1	4,134.3	409.5	4,787.4
21	9,504.6	742.6	11,859.9	4,102.3	503.0	4,791.0
Mar. 1	9,368.8	776.2	11,995.2	4,062.0	495.2	4,963.9
8	9,406.0	796.9	11,928.4	4,024.0	483.8	4,777.7
15	9,525.0	518.5	11,924.8	4,067.4	269.6	4,751.7
22	9,533.6	762.1	12,114.0	4,094.1	370.4	4,806.8
29	9,605.9	631.2	12,094.1	4,143.3	325.9	4,756.8
Apr. 5	9,583.0	500.8	11,947.3	4,141.6	253.8	4,722.3
12	9,632.8	774.0	12,338.7	4,154.5	404.7	4,942.9
19	9,657.2	633.6	12,412.7	4,144.2	329.9	4,979.0
26	9,524.9	669.4	12,402.1	4,109.5	392.8	4,995.2
May 3	9,688.3	606.0	12,432.3	4,178.0	326.0	4,975.8
10	9,349.3	827.0	12,659.8	4,015.1	352.7	5,060.6
17	9,333.1	1,284.1	12,608.7	4,020.5	593.7	5,048.7
24	9,271.3	1,028.7	12,485.9	3,972.4	424.1	5,018.6
31	9,428.8	909.3	12,435.6	4,121.4	362.1	4,966.9
June 7	9,483.6	765.1	12,443.5	4,144.1	305.3	4,963.6
14	9,638.4	868.3	12,506.2	4,221.0	346.0	5,052.7


NET DEPOSITS, GOVERNMENT DEPOSITS, ALSO TOTAL LOANS AND INVESTMENTS OF MEMBER BANKS IN GREATER NEW YORK AND IN LEADING CITIES
Curve 1: Net Deposits of Member Banks in Greater New York.
Curve 2: Net Deposits of Member Banks in Leading Cities.
Curve 3: Government Deposits of Member Banks in Greater New York.
Curve 4: Government Deposits of Member Banks in Leading Cities.
Curve 5: Loans and Investments of Member Banks in Greater New York.
Curve 6: Loans and Investments of Member Banks in Leading Cities.
BILLIONS OF DOLLARS
BILLIONS OF DOLLARS
13
12
11
10
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8
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6
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4
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4 11 18 25 1 8 15 21 1 8 15 22 29 5 12 19 26 3 10 17 24 31 7 14
1918 JANUARY
FEBRUARY
MARCH
APRIL
MAY
JUNE 1918

DISCOUNT OPERATIONS OF THE FEDERAL RESERVE BANKS.

Discount operations of the Federal Reserve Banks for the month of May totaled $3,002,889,591, compared with $2,178,410,479 for April and $3,206,486,771 for November, 1917, the month when the second Liberty loan closed. Of the total bills discounted during the month, war paper proper, i. e., members' collateral notes and customers' paper secured by Government war obligations, constituted 84.8 per cent, compared with 83.2 per cent in April and over 80 per cent in November, 1917. Over 70 per cent of the total paper and about 79.4 per cent of all the war paper discounted by all the 12 banks during May are reported by the New York bank.

Discounts of member banks' collateral notes secured by eligible paper aggregated $70,469,263, the Federal Reserve Banks at Chicago and Kansas City accounting for $64,336,757, or about 91.3 per cent of the total. Trade acceptances discounted during the month by 11 banks totaled $16,302,062, of which $13,593,565 covered transactions in the domestic trade and $2,708,497 transactions in the foreign trade. The New York bank leads all other banks in the discount of this type of paper, reporting 28.8 per cent of the domestic trade acceptances and 98.7 per cent of the foreign trade acceptances discounted during the month by all the banks. The totals just given are exclusive of $7,157,620 of foreign trade acceptances purchased in the open market during the month under review. Other discounts, largely unsecured customers' paper, also bills protected by other than Government securities, totaled $399,091,341, compared with $322,585,211 for April and only $198,842,158 for November of the past year. Fifteen-day paper, i. e., paper maturing within 15 days from date of discount with the Federal Reserve Bank, totaled $2,736,456,881, or over 91 per cent of the total discounts for the month. In the case of the New York bank, owing to the larger proportion of collateral notes handled, this share is about 97 per cent. Average rates and maturities of the paper discounted by the banks during May, as calculated by the use of the method outlined on page 553 of the June BULLETIN, were somewhat higher than for April. Over 88.5 per cent of the paper was discounted at 4 per cent, which was the uniform rate during most of the month for the system on all 15-day paper, including that secured by Treasury certificates and Liberty bonds. Owing to the relatively large amount of 90-day war paper discounted during the month by Boston and of 6-month agricultural paper discounted by Minneapolis, these two banks show the longest average maturities for their May discounts, viz, 46.4 and 45 days, the latter bank, as well as the banks at Kansas City and Dallas, because of the relatively large amount of 6-month paper handled, showing the highest average rates charged. For the New York bank the average maturity of the paper discounted during May works out at 6.95 days as against 7.22 days in April, while the average rate for May, 4.09 per cent, compares with 4.05 per cent for April, the reason for the lower average April rates apparently being the fact that during the first few days in April large amounts of 15-day war paper were discounted at the lower $3\frac{1}{2}$ per cent rate.

On the last Friday of the month the banks held a total of 896.4 millions of discounted paper, as against an aggregate of 901.7 millions held on the last Friday in April and of 47.6 millions held on the corresponding date in 1917. Of the total discounts on hand the share of war paper was 62.8 per cent, as against 70.9 per cent about the end of April. At the Boston and Philadelphia banks this share was in excess of 73 per cent, and at the New York bank as high as 83.5 per cent. Discounted trade acceptances on hand about the end of May totaled 17.72 millions, of which over 1 million represents the holdings of discounted foreign-trade acceptances. Cleveland leads in the amount of domestic trade acceptances held, followed by New York and St. Louis. Holdings of agricultural paper of all maturities totaled about 19.5 millions, or about 2.1 per cent of the total discounts held, while live-stock paper aggregated 47.3 millions, of which over 57 per cent is reported by the Kansas City bank.

During the month, mainly as the result of further accession to membership of State banks and trust companies, the number of member banks increased from 8,145 to 8,168. The total number of member banks accommodated through discounts during May was 2,693, or 33 per cent of the total membership at the close of the month. In the following exhibit are given the number of member banks in each Federal Reserve district at the end of May and the number of discounting members for the same month.

Federal reserve districts.	Number of member banks on May 31.	Number of banks discounting during May.
Boston	415	179
New York	685	306
Philadelphia	643	202
Cleveland	775	150
Richmond	542	254
Atlanta	401	163
Chicago	1,164	359
St. Louis	488	125
Minneapolis	819	276
Kansas City	975	315
Dallas	575	304
San Francisco	586	160
Total	8,168	2,693

Bills discounted during the month of May, 1918, distributed by classes.

Federal Reserve Banks.	Customers' paper secured by liberty bonds or United States certificates of indebtedness.	Member banks' collateral notes.		Trade acceptances.	All other discounts.	Total.
		Secured by liberty bonds or United States certificates of indebtedness.	Otherwise secured.			
Boston	$23,920,032	$20,764,048	$350,225	$901,692	$10,068,717	$56,004,714
New York	38,610,339	1,960,216,460		[1] 7,400,431	174,916,121	2,181,143,351
Philadelphia	10,867,822	45,022,975	2,500	355,851	17,755,946	74,005,094
Cleveland	5,750,008	48,681,431	110,000	2,690,211	20,068,602	77,300,252
Richmond	4,524,938	96,162,708	3,238,500	1,006,215	23,282,728	128,215,089
Atlanta	74,739	29,225,000	658,500	873,152	15,788,722	46,620,113
Chicago	5,454,933	72,174,353	48,834,331	223,689	39,842,127	166,529,433
St. Louis	594,262	33,576,941		1,147,022	24,239,863	59,558,088
Minneapolis	426,024	15,210,500	900,281	213,950	12,844,337	29,595,092
Kansas City	249,609	48,083,500	15,502,426	978,868	30,903,021	95,717,424
Dallas	361,945	27,858,060	870,000		8,148,580	37,238,585
San Francisco	296,168	28,920,130	2,500	[2] 510,981	21,232,577	50,962,356
Total	91,130,819	2,425,896,106	70,469,263	16,302,062	399,091,341	3,002,889,591

[1] Includes $2,672,399 in the foreign trade.

[2] Includes $36,098 in the foreign trade.

Amounts of discounted paper, including member banks' collateral notes, held by each Federal Reserve Bank on the last Friday in May, 1918, distributed by classes.

[In thousands of dollars; i. e., 000 omitted.]

Banks.	Agricultural paper.	Live-stock paper.	Customers' paper secured by Liberty bonds or United States certificates of indebtedness.	Member banks' collateral notes.		Trade acceptances.	All other discounts.	Total.
				Secured by Liberty bonds or United States certificates of indebtedness.	Otherwise secured.			
Boston			25,276	6,859	130	[1] 1,109	10,441	43,815
New York			51,321	289,482		[2] 3,985	63,487	408,275
Philadelphia	146		12,229	19,289		1,479	9,697	42,840
Cleveland	100	93	7,762	11,217	110	3,617	24,359	47,258
Richmond	2,454	14	5,175	23,647	721	1,875	15,140	49,026
Atlanta	800	467	85	12,435	43	981	10,028	24,839
Chicago	4,967		6,560	28,117	13,831		31,868	85,343
St. Louis	148	1,290	1,452	12,331		2,874	13,162	31,257
Minneapolis	2,217	4,816	445	6,717	593	326	11,216	26,330
Kansas City	2,080	27,184	281	15,346	7,450	853	12,269	65,463
Dallas	3,560	6,319	657	13,632	398		5,516	30,082
San Francisco	3,002	7,077	792	11,696	772	624	17,934	41,897
Total	19,474	47,260	112,035	450,768	24,048	17,723	225,117	896,425
Per cent	2.1	5.3	12.5	50.3	2.7	2.0	25.1	100

[1] Includes $95,000 in the foreign trade.

[2] Includes $951,000 in the foreign trade.

Bills discounted by each Federal Reserve Bank during May, 1918, distributed by rates of discount; also average maturity and rate of bills discounted by each bank during the month.

Federal Reserve Bank.	4 per cent.		$4\frac{1}{4}$ per cent.		$4\frac{1}{2}$ per cent.		$4\frac{3}{4}$ per cent.	
	Amount.	Discount.	Amount.	Discount.	Amount.	Discount.	Amount.	Discount.
Boston	$25,056,373	$41,070	$22,875,023	$212,981	$2,730,292	$12,567	$5,340,033	$38,405
New York	2,127,588,421	1,215,611	40,305,137	379,606	883,516	9,193	12,302,878	92,800
Philadelphia	56,937,107	81,028	10,590,072	101,210	2,335,800	10,263	4,124,150	27,074
Cleveland	42,656,987	43,626	23,999,757	82,536	1,931,993	14,625	8,661,995	62,582
Richmond	65,712,320	53,093	42,130,564	70,965	765,368	4,942	13,143,579	81,753
Atlanta	40,190,062	61,759	308,757	2,116	711,459	4,669	4,905,791	31,730
Chicago	133,623,376	201,432	5,393,303	44,768	2,250,705	1,327	13,854,898	75,853
St. Louis	44,145,125	66,936	554,588	4,779	1,178,625	10,380	13,574,458	86,369
Minneapolis	17,008,182	25,998	439,252	3,034	271,790	2,332	5,432,551	34,008
Kansas City	41,541,453	65,698	16,781,240	28,567	7,424,089	14,261	11,666,475	86,283
Dallas	29,033,470	46,923	345,071	2,770			2,478,756	13,375
San Francisco	35,350,001	56,877	445,923	3,592	2,356,664	10,964	10,465,407	84,765
Total	2,658,842,877	1,960,051	164,168,687	936,924	22,840,301	95,523	105,950,971	714,997

Federal Reserve Bank.	5 per cent.		$5\frac{1}{4}$ per cent.		$5\frac{1}{2}$ per cent.		Total.		Average maturity in days.	Average rate (per cent).[1]
	Amount.	Discount.	Amount.	Discount.	Amount.	Discount.	Amount.	Discount.		
Boston	$2,993	$38					$56,004,714	$305,061	46.45	4.28
New York	63,399	2,235					2,181,143,351	1,699,445	6.95	4.09
Philadelphia	17,965	348					74,005,094	219,923	25.35	4.22
Cleveland			$49,520	$962			77,300,252	204,331	21.86	4.35
Richmond	6,172,572	56,392	290,686	6,418			128,215,089	273,563	17.07	4.50
Atlanta	504,044	10,517					46,620,113	110,791	19.89	4.30
Chicago	10,237,201	116,205			$1,169,950	$24,681	166,529,433	464,266	22.67	4.43
St. Louis					105,292	2,271	59,558,088	170,735	23.60	4.37
Minneapolis	2,691,727	28,636			3,751,590	90,102	29,595,092	184,110	45.01	4.98
Kansas City	11,185,562	231,097	3,231,016	28,351	3,887,589	87,242	95,717,424	541,499	42.11	4.84
Dallas	2,247,802	24,999	3,133,486	69,555			37,238,585	157,622	32.33	4.71
San Francisco			414	7	2,343,947	52,966	50,962,356	209,171	31.77	4.65
Total	33,123,265	470,467	6,705,122	105,293	11,258,368	257,262	3,002,889,591	4,540,517	12.59	[2] 4.35

[1] Boston and New York calculated on 365-day basis: all other Federal Reserve Banks on 360-day basis.

[2] Average discount rate on all paper discounted works out at 4.32 per cent if calculated on a uniform 360-day basis, and at 4.38 if calculated on a uniform 365-day basis.

Acceptances bought in open market and held by Federal Reserve Banks as per schedules on file with the Federal Reserve Board, or as reported by the Federal Reserve Banks on dates specified, distributed by classes of accepting institutions.

Date.	Bankers' acceptances.						Trade acceptances bought in open market.	Total acceptances.
	Member banks.	Nonmember trust companies.	Nonmember State banks.	Private banks.	Foreign bank branches and agencies.	Total.		
1915.								
Feb. 22	$93,000	....	....	....	....	$93,000	....	$93,000
Apr. 5	3,653,000	$7,820,000	$10,000	$110,000	....	11,593,000	....	11,593,000
July 3	4,342,000	5,267,000	....	161,000	....	9,770,000	....	9,770,000
Oct. 4	9,000,000	4,898,000	132,000	343,000	....	14,373,000	....	14,373,000
1916.								
Jan. 3	15,494,000	7,160,000	362,000	822,000	....	23,838,000	....	23,838,000
Apr. 3	21,000,000	13,572,000	473,000	3,262,000	....	38,308,000	$722,000	39,030,000
July 3	32,989,000	18,921,000	471,000	11,830,000	....	64,211,000	3,422,000	67,633,000
Oct. 2	37,798,000	21,782,000	712,000	9,944,000	....	70,236,000	2,306,000	72,542,000
1917.								
Jan. 1	66,803,000	34,625,000	1,502,000	18,224,000	....	121,154,000	4,585,000	125,739,000
Apr. 2	43,979,000	20,328,000	689,000	16,830,000	$200,000	82,026,000	1,144,000	83,170,000
July 14-16	108,597,000	30,390,000	3,333,000	38,082,000	3,805,000	184,785,000	4,660,000	189,445,000
Sept. 29	131,997,000	14,987,000	2,193,000	21,708,000	2,286,000	173,171,000	6,942,000	180,113,000
Dec. 31	227,717,000	8,163,000	3,179,000	20,137,000	7,657,000	266,853,000	6,383,000	273,236,000
1918.								
Jan. 31	240,259,000	5,547,000	3,522,000	22,099,000	6,947,000	278,374,000	6,363,000	284,737,000
Feb. 28	252,747,000	1,648,000	3,856,000	28,419,000	7,097,000	293,767,000	5,456,000	299,223,000
Mar. 31	275,144,000	1,360,000	1,884,000	31,779,000	8,562,000	318,729,000	8,015,000	326,744,000
Apr. 30	248,390,000	654,000	2,907,000	25,921,000	10,304,000	288,176,000	9,279,000	297,455,000
May 31	207,917,000	1,330,000	5,168,000	26,217,000	8,398,000	249,030,000	8,276,000	257,306,000

Acceptances bought in open market and held by each Federal Reserve Bank on May 31, 1918, distributed by classes of accepting institutions.

[In thousands of dollars; i. e., 000 omitted.]

Federal Reserve Bank.	Member banks.	Nonmember trust companies.	Nonmember State banks.	Private banks.	Foreign banks, branches, and agencies.	Total.	Trade acceptances bought in open market.			Total acceptances.
							Domestic.	Foreign.	Total.	
Boston	20,064	68	....	1,825	678	22,635	....	425	425	23,060
New York	98,464	1,070	4,406	20,127	7,367	131,434	....	1,986	1,986	133,420
Philadelphia	19,359	27	4	1,242	309	20,941	....	27	27	20,968
Cleveland	9,657	....	46	768	....	10,471	....	21	21	10,492
Richmond	2,798	....	....	....	....	2,798	....	....	....	2,798
Atlanta	3,840	....	....	....	....	3,840	....	....	....	3,840
Chicago	30,508	152	....	892	....	31,552	....	....	....	31,552
St. Louis	6,306	5	300	32	....	6,643	....	....	....	6,643
Minneapolis	3,013	....	....	....	....	3,013	....	....	....	3,013
Kansas City	635	....	....	....	....	635	....	....	....	635
Dallas	920	....	....	....	....	920	....	....	....	920
San Francisco	12,353	8	412	1,331	44	14,148	....	5,817	5,817	19,965
Total	207,917	1,330	5,168	26,217	8,398	249,030	....	8,276	8,276	257,306

Amounts of bills discounted and acceptances and warrants bought by each Federal Reserve Bank during May, 1918, distributed by maturities.

	15-day maturities.				30-day maturities.			
	Discounts.	Acceptances.	Warrants.	Total.	Discounts.	Acceptances.	Warrants.	Total.
Boston	$25,097,283	$652,196	....	$25,749,479	$4,309,981	$1,184,503	....	$5,494,484
New York	2,121,236,516	2,028,805	....	2,123,265,321	9,020,796	10,786,316	....	19,807,112
Philadelphia	57,543,872	47,606	....	57,591,478	1,672,290	1,944,639	....	3,616,929
Cleveland	59,531,772	10,002	....	59,541,774	4,120,333	2,353,457	....	6,473,790
Richmond	106,108,771	102,500	....	106,211,271	3,920,244	1,307,571	....	5,227,815
Atlanta	40,213,229	20,000	....	40,233,229	1,683,056	125,000	....	1,808,056
Chicago	133,620,012	450,000	....	134,070,012	4,260,546	602,000	....	4,862,546
St. Louis	46,721,836	....	....	46,721,836	2,117,801	132,500	....	2,250,301
Minneapolis	17,007,772	....	....	17,007,772	737,094	100,000	....	837,094
Kansas City	64,944,172	....	....	64,944,172	2,460,945	....	....	2,460,945
Dallas	29,017,470	300,000	....	29,317,470	751,174	300,000	....	1,051,174
San Francisco	35,414,176	3,416,631	....	38,830,807	2,650,345	935,559	....	3,585,904
Total	2,736,456,881	7,027,740	....	2,743,484,621	37,704,605	19,771,545	....	57,476,150

Amounts of bills discounted and acceptances and warrants bought by each Federal Reserve Bank during May, 1918, distributed by maturities—Continued.

	60-day maturities.				90-day maturities.			
	Discounts.	Acceptances.	Warrants.	Total.	Discounts.	Acceptances.	Warrants.	Total.
Boston	$3,878,052	$2,504,725	....	$6,382,777	$22,716,406	$8,145,740	....	$30,862,146
New York	8,116,566	12,148,986	....	20,265,552	42,706,079	36,415,403	....	79,121,482
Philadelphia	3,699,033	2,116,829	....	5,815,862	11,071,935	7,310,673	....	18,382,608
Cleveland	4,617,931	3,152,831	....	7,770,762	8,980,697	1,352,098	....	10,332,795
Richmond	7,509,506	1,650,512	....	9,160,018	9,679,203	2,251,127	....	11,930,330
Atlanta	2,219,828	686,951	$16,500	2,923,279	1,999,957	441,185	....	2,441,142
Chicago	14,303,717	1,780,542	....	16,084,259	12,181,039	4,405,753	....	16,587,692
St. Louis	4,175,970	377,479	....	4,553,449	6,437,189	722,991	....	7,160,180
Minneapolis	5,031,868	900,000	....	5,931,868	3,063,797	180,000	....	3,243,797
Kansas City	6,528,105	200,000	....	6,728,105	6,731,779	....	....	6,731,779
Dallas	1,851,289	595,000	....	2,446,289	2,455,315	900,000	....	3,355,315
San Francisco	4,054,531	7,207,499	....	11,262,030	6,500,721	4,205,673	....	10,706,394
Total	65,986,396	33,321,354	16,500	99,324,250	134,525,017	66,330,643	....	200,855,660

	Over 90-day maturities.				Total.				Per cent.			
	Discounts.	Acceptances.	Warrants.	Total.	Discounts.	Acceptances.	Warrants.	Total.	Discounts.	Acceptances.	Warrants.	Total.
Boston	$2,992	$1,050,000	....	$1,052,992	$56,004,714	$13,537,164	....	$69,541,878	80.5	19.5	....	100
New York	63,394	....	....	63,394	2,181,143,351	61,379,510	....	2,242,522,861	97.3	2.7	....	100
Philadelphia	17,964	....	....	17,964	74,005,094	11,419,747	....	85,424,841	86.6	13.4	....	100
Cleveland	49,519	3,514	....	53,033	77,300,252	6,871,902	....	84,172,154	91.8	8.2	....	100
Richmond	997,365	270,000	....	1,267,365	128,215,089	5,581,710	....	133,796,799	95.8	4.2	....	100
Atlanta	504,044	....	....	504,044	46,620,113	1,273,136	$16,500	47,309,749	97.3	2.7	....	100
Chicago	2,163,218	600,000	....	2,763,218	166,529,433	7,838,295	....	174,367,728	95.5	4.5	....	100
St. Louis	105,292	560,047	....	665,339	59,558,088	1,793,017	....	61,351,105	97.1	2.9	....	100
Minneapolis	3,754,561	....	....	3,754,561	29,595,092	1,180,000	....	30,775,092	96.2	3.8	....	100
Kansas City	15,052,423	....	....	15,052,423	95,717,424	200,000	....	95,917,424	99.8	.2	....	100
Dallas	3,163,337	....	....	3,163,337	37,238,585	2,095,000	....	39,333,585	94.7	5.3	....	100
San Francisco	2,342,583	....	....	2,342,583	50,962,356	15,765,362	....	66,727,718	76.4	23.6	....	100
Total	28,216,692	2,483,561	....	30,700,253	3,002,889,591	128,934,843	16,500	3,131,840,934	....	....	....	....
Per cent	....	....	....	....	....	....	....	....	95.9	4.1	....	100

Maturities of discounts, acceptances, and municipal warrants held by each Federal Reserve Bank on Friday, May 31, 1918.

[In thousands of dollars; i. e., 000 omitted.]

	1 to 15 days.				16 to 30 days.			
	Bills discounted.	Acceptances bought.	Municipal warrants.	Total.	Bills discounted.	Acceptances. bought.	Municipal warrants.	Total.
Boston	10,812	5,424	....	16,236	6,017	3,160	....	9,177
New York	342,439	31,751	....	374,190	12,152	23,566	....	35,718
Philadelphia	26,087	4,577	....	30,664	2,369	3,652	....	6,021
Cleveland	22,629	1,035	....	23,664	7,560	3,037	....	10,597
Richmond	28,769	118	....	28,887	3,201	351	....	3,552
Atlanta	18,971	1,070	1	20,042	1,481	1,176	43	2,700
Chicago	58,710	9,115	....	67,825	3,987	9,840	....	13,827
St. Louis	18,660	2,274	....	20,934	4,052	2,004	....	6,056
Minneapolis	10,239	1,996	....	12,235	2,992	352	....	3,344
Kansas City	27,998	135	....	28,133	5,150	150	....	5,300
Dallas	16,488	200	456	17,144	2,143	300	....	2,443
San Francisco	17,736	4,947	....	22,683	6,814	4,599	....	11,413
Total	599,538	62,642	457	662,637	57,918	52,187	43	110,148
Per cent	....	....	....	57.4	....	....	....	9.5

Maturities of discounts, acceptances, and municipal warrants held by each Federal Reserve Bank on Friday, May 31, 1918—Continued.

[In thousands of dollars; i. e., 000 omitted.]

	31 to 60 days.				61 to 90 days.			
	Bills discounted.	Acceptances bought.	Municipal warrants.	Total.	Bills discounted.	Acceptances bought.	Municipal warrants.	Total.
Boston	7,202	5,763		12,965	19,783	8,713		28,496
New York	20,097	47,936		68,033	33,579	30,167		63,746
Philadelphia	4,628	9,716		14,344	9,740	3,023		12,763
Cleveland	10,512	5,826		16,338	6,509	594		7,103
Richmond	9,269	712		9,981	6,587	1,617		8,204
Atlanta	2,851	1,333	1	4,185	859	261		1,120
Chicago	7,942	8,004		15,946	11,737	4,593		16,330
St. Louis	5,403	1,388		6,791	3,021	977		3,998
Minneapolis	6,221	510		6,731	1,815	155		1,970
Kansas City	8,632	350		8,982	6,926			6,926
Dallas	5,098	270		5,368	2,152	150		2,302
San Francisco	10,381	7,250		17,631	3,726	3,169		6,895
Total	98,236	89,058	1	187,295	106,434	53,419		159,853
Per cent				16.2				13.9

	Over 90 days.				Total.				Percentages.			
	Bills discounted.	Acceptances bought.	Municipal warrants.	Total.	Bills discounted.	Acceptances bought.	Municipal warrants.	Total.	Bills discounted.	Acceptances bought.	Municipal warrants.	Total.
Boston	1			1	43,815	23,060		66,875	65.5	34.5		100
New York	8			8	408,275	133,420		541,695	75.4	24.6		100
Philadelphia	16			16	42,840	20,968		63,808	67.1	32.9		100
Cleveland	48			48	47,258	10,492		57,750	81.8	18.2		100
Richmond	1,200			1,200	49,026	2,798		51,824	94.6	5.4		100
Atlanta	677			677	24,839	3,840	45	28,724	86.5	13.4	0.1	100
Chicago	2,967			2,967	85,343	31,552		116,895	73.0	27.0		100
St. Louis	121			121	31,257	6,643		37,900	82.5	17.5		100
Minneapolis	5,063			5,063	26,330	3,013		29,343	89.7	10.3		100
Kansas City	16,757			16,757	65,463	635		66,098	99.0	1.0		100
Dallas	4,201			4,201	30,082	920	456	31,458	95.6	2.9	1.5	100
San Francisco	3,240			3,240	41,897	19,965		61,862	67.7	32.3		100
Total	34,299			34,299	896,425	257,306	501	1,154,232				
Per cent				3				100	77.6	22.3	.1	100

Liberty loan bonds and United States certificates of indebtedness purchased under repurchase agreements during the month of May, 1918.

[Figures included with United States securities in table showing total investment operations.]

	New York.	Cleveland.	Atlanta.	Chicago.	Minneapolis.	Kansas City.	Total.
Liberty bonds			$1,600		$23,400		$25,000
Certificates of indebtedness	$3,686,000	$305,500		[1] $578,000	449,500	$69,000	[1] 5,088,000
Total	3,686,000	305,500	1,600	578,000	472,900	69,000	5,113,000

[1] Includes Liberty bonds purchased by the Chicago bank under repurchase agreements.

Total investment operations of each Federal Reserve Bank during the months of May, 1918 and 1917.

Federal Reserve Bank.	Bills discounted for members and Federal Reserve Banks.	Bills bought in open market.			Municipal warrants.			
		Bankers acceptances.	Trade acceptances.	Total.	City.	State.	All other.	Total.
Boston	$56,004,714	$13,287,164	[1] $250,000	$13,537,164				
New York	2,181,143,351	60,567,139	[1] 812,371	61,379,510				
Philadelphia	74,005,094	11,419,747		11,419,747				
Cleveland	77,300,252	6,864,909	[2] 6,993	6,871,902				
Richmond	128,215,089	5,581,710		5,581,710				
Atlanta	46,620,113	1,273,136		1,273,136			$16,500	$16,500
Chicago	166,529,433	7,838,295		7,838,295				
St. Louis	59,558,088	1,793,017		1,793,017				
Minneapolis	29,595,092	1,180,000		1,180,000				
Kansas City	95,717,424	200,000		200,000				
Dallas	37,238,555	2,095,000		2,095,000				
San Francisco	50,962,356	9,670,113	[1] 6,095,249	15,765,362				
Total, May, 1918	3,002,889,591	121,770,230	7,164,613	128,934,843			16,500	16,500
Total, May, 1917	91,413,473	79,355,481	3,188,891	82,544,372	$75,656		43,265	118,921

[1] In the foreign trade. [2] In the domestic trade.

Total investment operations of each Federal Reserve Bank during the months of May, 1918 and 1917—Continued.

Federal reserve bank.	United States securities.								Total investment operations.
	2 per cent.	3 per cent.	3½ per cent.	4 per cent.	4¼ per cent.	1-year treasury notes.	United States certificates of indebtedness.	Total.	
Boston	....	....	....	....	$509,525	....	$125,000	$634,525	$70,176,403
New York	....	....	....	$1,309,000	12,751,000	....	178,586,000	192,646,000	2,435,168,861
Philadelphia	....	....	....	....	....	....	107,000	107,000	85,531,841
Cleveland	....	....	....	....	12,100	....	1,024,000	1,036,100	85,208,254
Richmond	....	....	....	....	....	....	10,000	10,000	133,806,799
Atlanta	....	....	....	201,600	4,650	....	108,000	314,250	48,223,999
Chicago	....	....	....	....	....	....	[1] 719,500	719,500	175,087,228
St. Louis	....	....	....	....	....	....	....	....	61,351,105
Minneapolis	....	....	$23,400	....	5,650	....	2,433,500	2,462,550	33,237,642
Kansas City	....	....	2,450	....	....	....	69,000	71,450	95,988,874
Dallas	....	....	....	....	12,450	....	81,000	93,450	39,427,035
San Francisco	....	....	....	1,000,000	....	....	1,162,500	2,162,500	68,890,218
Total, May, 1918	....	....	25,850	2,510,600	13,295,375	....	184,425,500	200,257,325	3,332,098,259
Total, May, 1917	$50,000	$2,000	....	....	....	....	....	52,000	[2] 174,128,766

[1] Includes United States bonds purchased from banks under 15-day repurchase agreements.
[2] Exclusive of purchases of United States certificates of indebtedness.

United States securities held by each Federal Reserve Bank on May 31, 1918, distributed by maturities.

Federal Reserve Bank.	United States bonds with circulation privilege.			
	2 per cent consols of 1930.	2 per cent Panamas of 1936–1938.	3 per cent loan of 1918.	4 per cent loan of 1925.
Boston	$750	....	....	....
New York	50	....	$50,000	....
Philadelphia	....	$100	....	....
Cleveland	....	....	2,653,660	$2,378,200
Richmond	915,100	237,000	....	....
Atlanta	240,600	21,000	....	....
Chicago	1,862,500	367,300	2,581,000	1,768,000
St. Louis	100	....	1,080,000	....
Minneapolis	304,300	16,260	1,199,180	206,250
Kansas City	7,155,850	22,240	....	825,000
Dallas	2,450,900	281,500	....	....
San Francisco	2,428,750	....	....	1,000,000
Total	15,358,900	945,400	7,563,840	6,177,450

Federal Reserve Bank.	Other United States securities, including 1 year Treasury notes and Treasury certificates of indebtedness, available as security for Federal Reserve Bank notes under silver act of Apr. 23, 1918.							Total.
	3 per cent conversion bonds of 1946–47.	3 per cent 1 year Treasury notes.	3 per cent loan of 1961.	3½ per cent Liberty loan of 1947.	4 per cent Liberty loan of 1942–1947.	4¼ per cent Liberty loan of 1928.	United States certificates of indebtedness.	
Boston	$529,000	$1,416,000	....	$60,000	$26,450	....	$125,000	$2,157,200
New York	1,255,400	2,226,000	....	253,850	1,320,700	$12,751,000	62,128,000	79,985,000
Philadelphia	549,200	1,537,000	....	11,850	786,250	....	605,500	3,489,900
Cleveland	414,800	2,660,000	....	1,966,900	374,550	11,650	6,797,000	17,256,760
Richmond	....	1,513,000	....	42,850	37,750	....	10,000	2,755,700
Atlanta	10,300	1,141,000	....	13,500	440,400	4,650	60,500	1,931,950
Chicago	427,400	2,962,000	$400	....	83,050	....	42,000	10,093,650
St. Louis	1,153,300	511,000	....	....	....	....	....	2,744,400
Minneapolis	114,800	880,000	500	50	....	3,995	471,500	3,196,835
Kansas City	838,500	1,374,000	....	23,250	....	....	2,332,000	12,570,640
Dallas	1,233,600	1,430,000	....	700	2,200	11,950	99,500	5,510,350
San Francisco	....	1,500,000	....	21,450	10,850	....	258,000	5,219,050
Total	6,526,300	19,150,000	900	2,394,200	3,082,200	[1] 12,783,245	72,929,000	146,911,435

[1] Includes unpaid portion of Liberty loan bonds sold to individual subscribers.

Total United States bonds with circulation privilege, $30,045,590. Other United States securities, $116,865,845.

RESOURCES AND LIABILITIES OF FEDERAL RESERVE BANKS.

Resources and liabilities of each Federal Reserve Bank and of the Federal Reserve system at close of business on Fridays, May 31 to June 21, 1918.

RESOURCES.

[In thousands of dollars; i. e., 000 omitted.]

	Boston.	New York.	Philadelphia.	Cleveland.	Richmond.	Atlanta.	Chicago.	St. Louis.	Minneapolis.	Kansas City.	Dallas.	San Francisco.	Total.
Gold coin and certificates in vault:													
May 31	3,452	329,384	9,123	21,705	6,364	6,708	28,176	1,944	8,269	453	5,430	35,169	456,177
June 7	2,909	336,171	9,234	21,628	6,370	6,740	28,756	1,905	8,404	83	5,675	35,747	463,622
June 14	3,329	302,033	9,120	25,017	6,427	6,754	27,614	1,894	8,177	300	5,740	36,152	432,557
June 21	2,751	302,525	9,233	31,291	6,431	6,753	27,548	2,035	8,261	206	5,852	35,887	438,773
Gold settlement fund, Federal Reserve Board:													
May 31	68,989	1,807	52,169	52,157	23,715	18,780	88,657	40,637	27,903	28,475	7,986	13,962	425,237
June 7	72,502	28,189	54,775	63,342	17,967	21,315	66,926	27,470	17,702	22,859	6,723	17,905	417,675
June 14	65,995	89,514	46,306	57,453	13,205	23,914	88,051	33,247	16,024	33,140	5,841	16,920	489,610
June 21	66,375	140,617	32,074	25,948	17,510	24,194	68,465	22,409	16,138	40,716	10,856	14,719	481,023
Gold with foreign agencies:													
May 31	3,675	18,112	3,675	4,725	1,837	1,575	7,350	2,100	2,100	2,625	1,838	2,888	52,500
June 7	3,675	16,892	3,675	4,725	1,837	1,575	7,350	2,100	2,100	2,625	1,838	2,888	51,280
June 14	2,914	11,218	2,914	4,725	1,837	1,575	7,350	2,100	2,100	2,625	1,838	2,888	44,084
June 21	1,513	5,579	1,132	1,455	570	485	2,264	647	647	1,261	566	889	17,008
Gold with Federal Reserve agents:													
May 31	63,122	247,264	86,059	117,295	32,870	37,593	164,418	40,624	34,530	36,908	19,147	76,089	955,919
June 7	63,037	246,807	87,912	116,873	32,669	32,857	166,667	40,555	34,400	36,858	19,122	80,498	958,255
June 14	62,856	246,465	92,431	114,298	32,532	28,674	172,692	39,993	34,287	31,771	14,102	81,044	951,145
June 21	62,545	246,066	94,251	107,876	32,386	31,129	176,178	39,938	34,109	33,712	14,077	84,971	957,238
Gold redemption fund:													
May 31	2,000	12,500	3,000	318	694	1,297	2,108	1,711	2,194	765	1,258	148	27,993
June 7	2,000	12,500	3,000	399	572	1,473	2,223	1,700	2,387	792	1,256	129	28,431
June 14	2,120	12,500	3,000	693	488	2,071	2,380	1,689	2,455	800	1,256	55	29,507
June 21	2,303	12,500	3,000	855	363	2,311	2,595	1,671	2,543	917	1,254	19	30,331
Total gold reserves:													
May 31	141,238	609,067	154,026	196,200	65,480	65,953	290,709	87,016	74,996	69,226	35,659	128,256	1,917,826
June 7	144,123	640,559	158,596	206,967	59,415	63,960	271,922	73,730	64,993	63,217	34,614	137,167	1,919,263
June 14	137,214	661,730	153,771	202,186	54,489	62,988	298,087	78,923	63,043	68,636	28,777	137,059	1,946,903
June 21	135,487	707,287	139,690	168,425	57,260	64,872	277,050	66,700	61,698	76,812	32,607	136,485	1,924,373
Legal tender notes (silver), etc.:													
May 31	2,359	43,243	1,179	450	390	854	4,583	1,477	119	445	2,486	298	57,883
June 7	2,489	43,828	1,048	410	371	729	5,195	1,325	94	389	2,288	295	58,461
June 14	2,504	44,262	692	476	426	809	4,804	1,345	95	412	2,281	254	58,360
June 21	2,539	43,896	394	363	407	747	4,557	1,201	95	388	1,996	155	56,738
Total cash reserves:													
May 31	143,597	652,310	155,205	196,650	65,870	66,807	295,292	88,493	75,115	69,671	38,145	128,554	1,975,709
June 7	146,612	684,387	159,644	207,377	59,786	64,689	277,117	75,055	65,087	63,606	36,902	137,462	1,977,724
June 14	139,718	705,992	154,463	202,662	54,915	63,797	302,891	80,268	63,138	69,048	31,058	137,313	2,005,263
June 21	138,026	751,183	140,084	168,788	57,667	65,619	281,607	67,901	61,793	77,200	34,603	136,640	1,981,111
Bills discounted for members and Federal Reserve Banks:													
May 31	43,815	408,275	42,840	47,258	49,026	24,839	85,343	31,257	26,330	65,463	30,082	41,897	896,425
June 7	47,013	462,099	49,599	45,796	49,555	25,923	93,160	39,285	30,703	68,150	33,443	39,766	984,492
June 14	48,056	468,535	50,296	49,962	51,601	32,624	94,335	47,733	33,480	62,050	36,859	40,500	1,016,031
June 21	45,844	383,303	55,015	34,420	50,483	26,045	112,916	46,357	34,376	56,612	28,752	37,145	931,270
Bills bought in open market:													
May 31	23,060	133,420	20,968	10,492	2,798	3,840	31,552	6,643	3,013	635	920	19,965	257,306
June 7	21,811	130,580	23,114	10,053	3,512	4,380	26,151	5,959	2,375	600	720	19,287	248,542
June 14	21,303	127,966	21,281	11,935	4,244	4,125	24,380	4,803	1,092	600	1,320	19,874	242,923
June 21	20,336	123,458	19,944	12,384	6,158	4,474	21,681	3,775	740	250	1,170	18,102	232,472
United States Government long-term securities:													
May 31	616	15,631	1,347	7,800	1,233	730	7,090	2,233	1,845	8,865	3,981	3,461	54,832
June 7	616	25,283	1,347	7,800	1,233	730	7,090	2,233	1,845	8,865	3,981	3,461	64,484
June 14	616	1,559	1,347	7,700	1,233	730	7,090	2,234	1,860	8,872	3,981	3,461	40,683
June 21	616	1,549	1,747	7,499	1,233	730	7,090	2,234	1,860	8,877	3,981	3,461	40,877
United States Government short-term securities:													
May 31	1,541	64,354	2,143	9,457	1,524	1,202	3,004	511	1,352	3,706	1,530	1,758	92,082
June 7	1,541	4,814	2,127	9,692	1,524	1,207	2,979	511	1,334	3,613	1,490	1,769	32,601
June 14	1,541	5,264	1,970	9,876	1,524	1,237	2,962	511	1,349	3,628	1,490	1,827	33,179
June 21	1,416	4,487	5,658	9,962	1,523	1,197	2,962	511	1,294	3,588	1,490	1,795	35,883
All other earning assets:													
May 31	....	....	....	....	....	53	54	30	56	....	533	10	736
June 7	....	....	....	....	....	52	47	30	28	....	519	18	694
June 14	....	....	....	....	....	53	40	3	8	....	467	23	594
June 21	....	....	....	....	....	57	32	3	8	....	....	....	100

Resources and liabilities of each Federal Reserve Bank and of the Federal Reserve system at close of business on Fridays, May 31 to June 21, 1918—Continued.

RESOURCES—Continued.

[In thousands of dollars; i. e., 000 omitted.]

	Boston.	New York.	Phila-delphia.	Cleve-land.	Rich-mond.	Atlanta.	Chicago.	St. Louis.	Minne-apolis.	Kansas City.	Dallas.	San Fran-cisco.	Total.
Total earning assets:													
May 31	69,032	621,690	67,298	75,007	54,581	30,664	127,043	40,674	32,596	78,669	37,046	67,090	1,301,390
June 7	70,981	622,776	76,187	73,341	55,824	32,292	129,427	48,018	36,285	81,228	40,153	64,301	1,330,813
June 14	71,516	603,324	74,894	79,473	58,602	38,769	128,807	55,284	37,789	75,150	44,117	65,685	1,333,410
June 21	68,212	512,797	82,364	84,265	59,399	32,503	144,681	52,880	38,278	69,327	35,393	60,503	1,240,602
Due from other Federal Reserve Banks, net:													
May 31				16,288			10,144			1,412		1,609	[1] 19,194
June 7				7,477	1,073		9,891	2,085	3,014	2,822			[2] 1,605
June 14			3,269	5,011	453					3,725		2,299	[1] 19,350
June 21		7,018	6,038	6,748								2,933	[1] 4,705
Uncollected items:													
May 31	24,226	80,915	60,052	39,745	29,473	26,991	45,501	45,367	9,801	30,122	14,761	20,377	427,331
June 7	25,031	75,193	46,195	34,465	26,679	31,398	55,308	29,369	8,485	31,643	17,523	19,635	400,924
June 14	35,535	169,287	51,604	44,544	31,828	32,403	57,682	31,456	8,503	24,153	16,942	25,716	529,653
June 21	32,055	168,402	43,140	53,771	45,294	36,464	73,491	37,643	9,627	35,203	23,500	30,269	588,859
Total deductions from gross deposits:													
May 31	24,226	80,915	60,052	56,033	29,473	26,991	55,645	45,367	9,801	31,534	14,761	21,986	408,137
June 7	25,031	75,193	46,195	41,942	27,752	31,398	65,199	31,454	11,499	34,465	17,523	19,635	402,529
June 14	35,535	169,287	54,873	49,555	32,281	32,403	57,682	31,456	8,503	27,878	16,942	28,015	510,303
June 21	32,055	175,420	49,178	60,519	45,294	36,464	73,491	37,643	9,627	35,203	23,500	30,269	584,154
5 per cent redemption fund against Federal Reserve bank notes:													
May 31							100			389	137		626
June 7							100			400	137		637
June 14						14	100			400	137	84	735
June 21						14	100			400	137	84	735
All other resources:													
May 31		241	207										448
June 7													
June 14													
June 21			90										90
Total resources:													
May 31	236,855	1,355,146	282,762	327,690	149,924	124,462	478,080	174,534	117,512	180,263	90,089	217,630	3,686,300
June 7	242,624	1,382,356	282,026	322,660	143,362	128,379	471,843	154,527	112,871	179,699	94,715	221,398	3,711,703
June 14	246,769	1,478,603	284,230	331,690	145,798	134,983	489,480	167,008	109,430	172,476	92,254	231,097	3,849,711
June 21	238,293	1,439,400	271,716	313,572	162,360	134,600	499,879	158,424	109,698	182,130	93,633	230,429	3,806,692

[1] Difference between net amounts due from and net amounts due to other Federal Reserve Banks=net amount due to other Federal Reserve Banks.
[2] Difference between net amounts due from and net amounts due to other Federal Reserve Banks.

LIABILITIES.

	Boston.	New York.	Phila-delphia.	Cleve-land.	Rich-mond.	Atlanta.	Chicago.	St. Louis.	Minne-apolis.	Kansas City.	Dallas.	San Fran-cisco.	Total.
Capital paid in:													
May 31	6,467	19,755	6,939	8,537	3,812	3,024	9,745	3,623	2,785	3,510	2,968	4,381	75,546
June 7	6,474	19,777	6,939	8,557	3,815	3,034	9,771	3,627	2,786	3,522	2,970	4,390	75,662
June 14	6,474	19,777	6,939	8,556	3,819	3,045	9,775	3,627	2,788	3,527	2,973	4,411	75,711
June 21	6,474	19,786	6,939	8,556	3,824	3,045	9,781	3,607	2,797	3,529	2,985	4,447	75,770
Surplus:													
May 31	75	649			116	40	216		38				1,134
June 7	75	649			116	40	216		38				1,134
June 14	75	649			116	40	216		38				1,134
June 21	75	649			116	40	216		38				1,134
Government deposits:													
May 31	14,479	21,572	11,800	32,544	6,900	6,288	22,142	14,625	10,275	8,908	4,021	12,637	166,191
June 7	23,062	16,826	18,846	26,478	8,423	10,334	15,766	18,797	12,736	10,319	7,740	10,549	179,876
June 14	6,705	48,325	4,691	16,736	5,560	12,185	16,023	14,597	3,384	6,201	8,204	12,921	155,532
June 21	3,277	55,073	3,774	553	15,659	11,627	23,503	93,369	5,711	9,004	6,375	15,532	159,457
Due to members—reserve account:													
May 31	91,968	618,641	89,231	111,591	42,999	38,247	182,974	46,631	39,164	66,082	41,323	71,562	1,440,413
June 7	89,040	640,968	91,102	109,456	42,844	34,652	181,909	46,118	38,735	63,644	38,662	72,356	1,449,486
June 14	96,615	683,738	98,238	128,023	44,579	38,352	192,627	54,267	37,400	66,009	35,935	79,651	1,555,434
June 21	89,291	636,720	89,963	116,446	41,741	41,835	186,562	46,822	38,166	68,451	37,040	71,949	1,464,986
Collection items:													
May 31	18,492	54,766	36,818	23,192	21,437	16,232	22,748	33,178	10,011	19,937	8,115	13,772	278,698
June 7	15,920	48,464	29,815	22,859	17,855	19,897	20,576	20,298	4,399	19,629	8,850	11,409	239,971
June 14	27,441	54,345	35,012	22,261	20,281	16,164	24,286	23,373	8,020	13,770	6,877	13,057	264,887
June 21	26,727	63,838	29,365	29,021	23,739	19,225	24,122	24,794	6,457	16,978	8,808	14,695	287,769
Due to other Federal Reserve Banks, net:													
May 31	247	21,341	4,215		6,869	3,519		11,171	1,176		109		
June 7	22	14,385	228			3,627					2,037	4,458	
June 14	930	12,283				7,062	1,107	5,412	3,223		4,090		
June 21	1,762	5,308	1,266	4,366	7,675	1,253	707	5,105					

Resources and liabilities of each Federal Reserve Bank and of the Federal Reserve system at close of business on Fridays, May 31 to June 21, 1918—Continued.

LIABILITIES—Continued.

[In thousands of dollars; i. e., 000 omitted.]

	Boston.	New York.	Philadelphia.	Cleveland.	Richmond.	Atlanta.	Chicago.	St. Louis.	Minneapolis.	Kansas City.	Dallas.	San Francisco.	Total.
Other deposits, including foreign government credits:													
May 31	....	101,314	....	605	....	6	3,385	104	45	....	....	3,984	109,443
June 7	....	103,926	....	137	....	16	2,136	104	82	....	....	3,159	109,560
June 14	....	115,601	....	191	....	7	3,580	233	24	....	....	3,585	123,221
June 21	....	110,426	....	264	....	12	3,740	417	41	....	....	2,445	117,345
Total gross deposits:													
May 31	125,186	817,634	142,064	167,932	78,205	64,292	231,249	105,709	60,671	94,927	53,568	101,955	1,994,745
June 7	128,044	824,569	139,991	158,930	69,122	68,526	220,387	85,317	55,952	93,592	57,289	101,931	1,978,893
June 14	131,691	914,292	137,941	167,211	70,420	73,770	237,623	97,882	52,051	85,980	55,106	109,214	2,099,074
June 21	121,057	866,057	123,102	146,284	86,447	73,965	242,293	89,077	51,628	95,140	57,328	104,621	2,029,557
Federal Reserve notes in actual circulation:													
May 31	104,475	517,108	133,759	150,428	67,611	57,089	235,163	64,716	53,610	72,854	33,198	110,957	1,600,968
June 7	107,327	536,764	135,004	154,347	70,016	56,748	238,498	65,004	53,635	73,374	34,073	114,789	1,639,579
June 14	107,808	537,918	139,316	155,032	71,043	58,074	238,809	64,921	54,071	73,627	33,758	117,123	1,651,500
June 21	109,955	546,707	141,675	157,884	71,745	57,477	244,152	65,211	54,693	74,186	33,254	121,012	1,677,951
Federal Reserve bank notes in circulation—net liability:													
May 31	....	....	....	....	....	....	560	....	....	7,764	....	....	8,324
June 7	....	....	....	....	....	....	1,700	....	....	7,880	....	....	9,580
June 14	....	....	....	....	....	1	2,000	....	....	8,000	....	....	10,001
June 21	....	....	....	....	....	35	2,000	....	....	7,910	....	....	9,945
All other liabilities:													
May 31	652	....	....	793	180	17	1,147	486	408	1,208	355	337	5,583
June 7	704	597	92	826	293	31	1,271	579	460	1,331	383	288	6,855
June 14	721	5,967	34	891	400	53	1,057	578	482	1,342	417	349	12,291
June 21	732	6,201	....	848	228	38	1,437	529	542	1,365	66	349	12,335
Total liabilities:													
May 31	236,855	1,355,146	282,762	327,690	149,924	124,462	478,080	174,534	117,512	180,263	90,089	217,630	3,686,300
June 7	242,624	1,382,356	282,026	322,660	143,362	128,379	471,843	154,527	112,871	179,699	94,715	221,398	3,711,703
June 14	246,769	1,478,603	284,230	331,690	145,798	134,983	489,480	167,008	109,430	172,476	92,254	231,097	3,849,711
June 21	238,293	1,439,400	271,716	313,572	162,360	134,600	499,879	158,424	109,698	182,130	93,633	230,429	3,806,692

FEDERAL RESERVE NOTES.

Federal Reserve note account of each Federal Reserve Bank at close of business on Fridays, May 31 to June 21, 1918.

[In thousands of dollars; i. e., 000 omitted.]

	Boston.	New York.	Philadelphia.	Cleveland.	Richmond.	Atlanta.	Chicago.	St. Louis.	Minneapolis.	Kansas City.	Dallas.	San Francisco.	Total.
Federal Reserve notes received from agent—net:													
May 31	109,412	568,078	144,479	159,395	79,560	59,073	258,593	68,256	55,876	78,310	33,582	121,933	1,736,547
June 7	110,257	583,339	146,332	165,773	80,422	59,039	260,841	68,987	55,946	79,031	34,288	125,621	1,769,876
June 14	111,596	593,657	150,851	165,598	79,286	60,404	266,866	68,625	55,833	79,039	34,370	127,268	1,793,393
June 21	112,885	591,037	154,671	168,955	78,847	59,660	270,353	69,020	56,255	79,142	33,898	130,795	1,805,518
Federal Reserve notes held by banks:													
May 31	4,937	50,970	10,720	8,967	11,949	1,984	23,430	3,540	2,266	5,456	384	10,976	135,579
June 7	2,930	46,575	11,328	11,426	10,406	2,291	22,343	3,983	2,311	5,657	215	10,832	130,297
June 14	3,788	55,739	11,535	10,566	8,243	2,330	28,057	3,704	1,762	5,412	612	10,145	141,893
June 21	2,930	44,330	12,996	11,071	7,102	2,183	26,201	3,809	1,562	4,956	644	9,783	127,567
Federal Reserve notes in actual circulation:													
May 31	104,475	517,108	133,759	150,428	67,611	57,089	235,163	64,716	53,610	72,854	33,198	110,957	1,600,968
June 7	107,327	536,764	135,004	154,347	70,016	56,748	238,498	65,004	53,635	73,374	34,073	114,789	1,639,579
June 14	107,808	537,918	139,316	155,032	71,043	58,074	238,809	64,921	54,071	73,627	33,758	117,123	1,651,500
June 21	109,955	546,707	141,675	157,884	71,745	57,477	244,152	65,211	54,693	74,186	33,254	121,012	1,677,951
Gold deposited with or to the credit of Federal Reserve agent:													
May 31	63,122	247,264	86,059	117,295	32,870	37,593	164,418	40,624	34,530	36,908	19,147	76,089	955,919
June 7	63,037	246,807	87,912	116,873	32,669	32,857	166,667	40,555	34,400	36,858	19,122	80,498	958,255
June 14	62,856	246,465	92,431	114,298	32,532	28,674	172,692	39,993	34,287	31,771	14,102	81,044	951,145
June 21	62,545	246,066	94,251	107,876	32,386	31,129	176,178	39,938	34,109	33,712	14,977	84,971	957,238
Paper delivered to Federal Reserve agent:													
May 31	66,875	541,695	58,853	57,750	50,286	21,581	111,847	33,355	23,884	62,372	31,002	52,823	1,112,323
June 7	68,824	592,679	71,866	55,849	52,738	26,487	112,003	34,824	27,816	64,365	34,163	52,015	1,193,629
June 14	69,359	596,501	70,321	61,897	55,382	32,456	111,736	45,254	29,646	57,704	38,179	51,413	1,219,848
June 21	66,180	505,761	71,737	66,804	56,410	28,700	128,243	42,170	30,490	52,126	29,922	48,254	1,127,797

Federal Reserve note account of each Federal Reserve agent at close of business on Fridays, May 31 to June 21, 1918.

[In thousands of dollars; i. e., 000 omitted.]

	Boston.	New York.	Phila-delphia.	Cleve-land.	Rich-mond.	Atlanta.	Chicago.	St. Louis.	Minne-apolis.	Kansas City.	Dallas.	San Fran-cisco.	Total.
FEDERAL RESERVE NOTES.													
Received from Comptroller:													
May 31	152,580	875,880	190,200	196,060	107,060	92,740	320,880	92,200	73,980	103,700	68,500	131,640	2,405,420
June 7	157,440	888,480	197,360	197,260	109,260	92,740	323,380	92,200	73,980	104,700	68,500	135,420	2,440,720
June 14	159,640	907,480	208,240	205,420	109,860	96,740	327,040	93,200	73,980	104,700	68,500	138,020	2,492,820
June 21	159,640	921,880	208,240	206,900	110,360	96,740	334,360	93,200	73,980	104,700	68,500	141,620	2,520,120
Returned to Comptroller:													
May 31	29,428	195,002	31,981	15,825	21,240	17,142	17,607	14,554	13,449	17,180	15,618	9,707	398,733
June 7	30,583	199,741	32,128	16,247	21,728	17,376	18,219	14,623	13,579	17,459	15,682	9,799	407,164
June 14	31,244	205,623	34,209	16,822	22,294	17,661	18,894	15,185	13,992	17,651	15,750	10,752	420,077
June 21	31,955	209,443	34,389	17,245	23,233	17,905	20,027	15,240	14,170	17,848	16,012	10,825	428,292
Chargeable to Federal Reserve agent:													
May 31	123,152	680,878	158,219	180,235	85,820	75,598	303,273	77,646	60,531	86,520	52,882	121,933	2,006,687
June 7	126,857	688,739	165,232	181,013	87,532	75,364	305,161	77,577	60,401	87,241	52,818	125,621	2,033,556
June 14	128,396	701,857	174,031	188,598	87,566	79,079	308,146	78,015	59,988	87,049	52,750	127,268	2,072,743
June 21	127,685	712,437	173,851	189,655	87,127	78,835	314,333	77,960	59,810	86,852	52,488	130,795	2,091,825
In hands of Federal Reserve agent:													
May 31	13,740	112,800	13,740	20,840	6,260	16,525	44,680	9,390	4,655	8,210	19,300	....	270,140
June 7	16,600	105,400	18,900	15,240	7,110	16,325	44,320	8,590	4,455	8,210	18,530	....	263,680
June 14	16,800	108,200	23,180	23,000	8,280	18,675	41,280	9,390	4,155	8,010	18,380	....	279,350
June 21	14,800	121,400	19,180	20,700	8,280	19,175	43,980	8,940	3,555	7,710	18,590	....	286,310
Issued to Federal Reserve Bank, less amount returned to Federal Reserve agent for redemption:													
May 31	109,412	568,078	144,479	159,395	79,560	59,073	258,593	68,256	55,876	78,310	33,582	121,933	1,736,547
June 7	110,257	583,339	146,332	165,773	80,422	59,039	260,840	68,987	55,946	79,031	34,288	125,621	1,769,876
June 14	111,596	593,657	150,851	165,598	79,286	60,404	266,866	68,625	55,833	79,039	34,370	127,268	1,793,393
June 21	112,885	591,037	154,671	168,955	78,847	59,660	270,353	69,020	56,255	79,142	33,898	130,795	1,805,518
Collateral held as security for outstanding notes:													
Gold coin and certificates on hand—													
May 31	12,000	169,743	....	23,518	....	2,504	....	....	13,102	....	11,581	....	232,448
June 7	8,000	169,743	....	23,517	....	2,503	....	....	13,102	....	11,581	....	228,446
June 14	8,000	169,740	....	20,517	....	2,504	....	....	13,102	....	11,581	....	225,444
June 21	7,000	166,740	....	14,518	....	2,504	....	....	13,102	....	11,581	....	215,445
In gold redemption fund—													
May 31	5,622	12,521	7,385	8,777	1,370	2,169	378	2,155	1,928	2,548	1,982	6,593	55,428
June 7	5,537	12,064	7,738	8,356	1,169	1,934	572	2,096	1,798	2,498	1,957	6,502	52,221
June 14	5,356	11,725	7,634	8,781	1,032	2,650	311	2,059	1,685	2,411	1,937	6,413	51,994
June 21	6,045	14,326	8,021	8,358	886	2,405	417	2,018	1,507	2,352	1,912	6,340	54,587
Gold settlement fund, Federal Reserve Board:													
May 31	45,500	65,000	78,674	85,000	31,500	32,920	164,040	38,469	19,500	34,360	5,584	69,496	670,043
June 7	49,500	65,000	80,174	85,000	31,500	28,420	166,095	38,459	19,500	34,360	5,584	73,996	677,588
June 14	49,500	65,000	84,797	85,000	31,500	23,520	172,381	37,931	19,500	29,360	584	74,631	673,707
June 21	49,500	65,000	86,230	85,000	31,500	26,220	175,761	37,920	19,500	31,360	584	78,631	687,206
Eligible paper (required minimum):[1]													
May 31	46,290	320,814	58,420	42,100	46,690	21,480	94,175	27,632	21,346	41,402	14,435	45,844	780,628
June 7	47,220	336,532	58,420	48,900	47,753	26,182	94,174	28,432	21,546	42,173	15,166	45,123	811,621
June 14	48,740	347,192	58,420	51,300	46,754	31,730	94,174	28,632	21,546	47,268	20,268	46,221	842,248
June 21	50,340	344,977	60,420	61,079	46,461	28,531	94,175	29,082	22,146	45,430	19,821	45,824	848,280
Total:													
May 31	109,412	568,078	144,479	159,395	79,560	59,073	258,593	68,256	55,876	78,310	33,582	121,933	1,736,547
June 7	110,257	583,339	146,332	165,773	80,422	59,039	260,841	68,987	55,946	79,031	31,288	125,621	1,769,876
June 14	111,596	593,657	150,851	165,598	79,286	60,404	266,866	68,625	55,833	79,039	34,370	127,268	1,793,393
June 21	112,885	591,037	154,671	168,955	78,847	59,660	270,353	69,020	56,255	79,142	33,898	130,795	1,805,518

[1] For actual amounts see item "Paper delivered to Federal Reserve agents," on page 675.

MEMBER BANK CONDITION STATEMENT.

Principal resources and liabilities of member banks located in central reserve, reserve, and other selected cities, as at close of business on Fridays from May 24 to June 14, 1918.

1. TOTAL FOR ALL REPORTING BANKS.

[In thousands of dollars; i. e., 000 omitted.]

	Boston.	New York.	Philadelphia.	Cleveland.	Richmond.	Atlanta.	Chicago.	St. Louis.	Minneapolis.	Kansas City.	Dallas.	San Francisco.	Total.
Number of reporting banks:													
May 24	42	98	49	81	65	38	94	32	33	72	40	47	691
May 31	42	98	49	81	64	37	95	32	33	72	38	48	689
June 7	42	99	49	83	67	35	92	32	29	72	41	47	688
June 14	42	99	49	83	70	36	91	32	27	72	41	47	689
United States bonds to secure circulation:													
May 24	14,616	51,367	12,978	43,016	21,908	14,190	18,817	17,392	6,168	14,012	16,879	34,105	265,448
May 31	14,621	51,367	12,978	43,341	21,158	14,390	19,142	17,392	5,919	13,787	17,074	35,355	266,524
June 7	14,621	51,367	12,975	43,462	23,220	13,685	18,930	17,392	5,344	14,012	17,579	35,355	267,942
June 14	14,621	51,897	12,975	43,523	23,968	13,285	18,179	17,417	5,619	14,022	17,579	33,655	266,740
Other United States bonds, including Liberty bonds:													
May 24	16,369	285,710	22,271	70,435	22,882	20,889	71,896	17,889	11,730	18,149	15,499	18,976	592,695
May 31	15,381	275,590	25,357	68,807	25,226	24,736	77,413	25,801	13,207	18,253	16,052	24,225	610,048
June 7	14,736	278,419	24,527	61,709	27,383	22,169	73,682	24,720	10,023	18,680	16,059	23,363	595,470
June 14	14,825	269,443	24,337	59,641	27,728	21,812	78,303	24,285	10,615	17,609	15,594	22,513	586,705
United States certificates of indebtedness:													
May 24	28,395	804,714	46,429	42,837	16,372	22,320	56,235	31,227	11,197	25,035	18,510	38,421	1,141,692
May 31	30,772	762,004	39,124	32,343	12,187	18,418	55,292	20,642	9,177	15,768	14,970	31,181	1,041,878
June 7	31,186	733,399	38,607	31,055	13,136	17,290	55,184	20,864	9,046	16,279	16,034	29,879	1,011,959
June 14	29,910	682,415	43,017	28,786	14,128	16,192	32,486	21,344	10,005	17,435	16,258	33,186	945,162
Total United States securities owned:													
May 24	59,380	1,141,791	81,678	156,288	61,162	57,399	146,948	66,508	29,095	57,196	50,888	91,502	1,999,835
May 31	60,774	1,088,961	77,459	144,491	58,571	57,544	151,847	63,835	28,303	47,808	48,096	90,761	1,918,450
June 7	60,543	1,063,185	76,109	136,226	63,739	53,144	147,796	62,976	24,413	48,971	49,672	88,597	1,875,371
June 14	59,356	1,003,755	80,329	131,950	65,824	51,289	128,968	63,046	26,239	49,066	49,431	89,354	1,798,607
Loans secured by United States bonds and certificates:													
May 24	56,639	274,792	34,318	44,411	15,224	6,465	27,362	14,006	3,740	4,495	5,146	5,843	492,441
May 31	54,151	287,404	35,849	46,910	16,220	6,040	30,059	14,343	4,502	4,672	5,845	6,967	512,962
June 7	52,816	278,913	38,238	54,442	16,976	6,304	33,814	18,102	4,509	4,625	6,138	7,651	522,528
June 14	54,248	281,057	38,782	50,549	17,380	6,816	29,423	14,998	4,668	4,451	6,585	9,450	518,407
Other loans and investments:													
May 24	775,845	4,027,762	625,843	941,757	327,150	258,766	1,327,745	375,749	245,067	459,411	167,613	460,972	9,993,680
May 31	768,040	4,013,342	633,752	942,889	316,243	265,944	1,342,098	375,213	235,341	459,205	162,311	489,784	10,004,162
June 7	771,650	4,038,385	628,529	953,472	335,280	246,631	1,341,210	366,126	224,894	461,288	167,738	510,433	10,045,636
June 14	797,114	4,193,061	637,622	959,863	350,744	242,074	1,285,149	368,240	230,000	461,983	167,963	495,389	10,189,202
Total loans and investments:													
May 24	891,864	5,444,345	741,839	1,142,456	403,536	322,630	1,502,055	456,263	277,902	521,102	223,647	558,317	12,485,956
May 31	882,965	5,389,707	747,060	1,134,290	391,034	329,528	1,524,004	453,391	268,146	511,685	216,252	587,512	12,435,574
June 7	885,009	5,380,483	742,876	1,144,140	415,995	306,079	1,522,820	447,204	253,816	514,884	223,548	606,681	12,443,535
June 14	910,718	5,477,873	756,733	1,142,362	433,948	300,179	1,443,540	446,284	260,907	515,500	223,979	594,193	12,506,216
Reserve with Federal Reserve Banks:													
May 24	62,809	596,952	57,298	81,153	26,007	25,049	134,314	31,702	17,933	41,202	15,974	41,788	1,132,181
May 31	66,783	589,113	54,591	78,808	24,728	24,266	133,502	34,001	17,935	39,386	13,707	45,844	1,122,664
June 7	63,158	609,698	59,773	76,642	25,856	20,802	135,364	32,895	15,769	42,813	15,837	47,038	1,145,645
June 14	70,723	649,757	59,907	95,353	28,181	24,980	136,501	37,681	17,210	36,971	16,452	52,632	1,226,348
Cash in vault:													
May 24	26,971	124,979	19,664	30,629	14,631	13,537	61,229	13,395	9,569	16,126	10,432	18,327	359,489
May 31	24,765	119,999	20,469	32,087	15,259	14,522	62,786	13,625	8,822	15,866	11,744	19,509	359,453
June 7	26,533	123,000	20,986	34,773	15,491	12,785	62,134	14,045	9,166	16,510	10,369	19,535	365,327
June 14	26,683	120,641	20,179	33,635	15,783	12,484	57,481	13,572	7,596	15,934	10,582	19,333	353,903
Net demand deposits on which reserve is computed:													
May 24	657,881	4,219,678	586,410	688,252	248,559	182,876	999,719	259,653	174,097	351,821	135,778	364,818	8,869,542
May 31	654,532	4,376,077	575,703	701,413	239,159	189,750	1,010,618	252,047	168,247	350,004	133,219	374,726	9,025,495
June 7	666,094	4,399,524	578,464	707,756	256,341	177,006	1,006,030	256,041	158,525	358,728	135,002	381,345	9,080,856
June 14	689,482	4,486,422	589,093	721,117	272,354	182,017	998,479	268,332	159,966	363,811	142,286	373,591	9,246,950
Time deposits:													
May 24	95,788	249,472	13,740	228,795	40,720	78,386	345,971	76,642	46,486	62,023	21,827	94,896	1,354,746
May 31	95,607	261,507	13,796	229,107	36,836	79,161	346,680	74,621	41,085	61,974	22,516	102,932	1,365,822
June 7	93,873	257,522	13,799	231,937	41,841	77,829	344,239	73,183	36,235	60,482	22,158	107,758	1,360,856
June 14	93,474	262,341	14,571	228,881	42,926	76,172	307,117	72,890	37,693	61,894	24,323	101,141	1,323,423

Principal resources and liabilities of member banks located in central reserve, reserve, and other selected cities, as at close of business on Fridays from May 24 to June 14, 1918—Continued.

1. TOTAL FOR ALL REPORTING BANKS—Continued.

[In thousands of dollars; i. e., 000 omitted.]

	Boston.	New York.	Philadelphia.	Cleveland.	Richmond.	Atlanta.	Chicago.	St. Louis.	Minneapolis.	Kansas City.	Dallas.	San Francisco.	Total.
Total net deposits on which reserve is computed:													
May 24	695,523	4,283,716	591,253	758,966	261,753	208,226	1,094,999	279,602	190,951	370,428	142,622	393,287	9,271,326
May 31	692,227	4,442,812	580,573	771,926	251,177	214,919	1,106,145	271,420	182,792	368,596	140,586	405,606	9,428,779
June 7	703,086	4,465,406	583,347	779,492	270,573	202,185	1,100,827	275,003	171,117	376,873	141,973	413,672	9,483,554
June 14	726,314	4,553,447	594,215	791,944	287,077	206,455	1,082,136	287,241	173,065	382,379	150,192	403,933	9,638,398
Government deposits:													
May 24	102,868	474,707	71,403	87,910	18,437	30,120	98,910	53,316	22,864	22,793	28,520	16,890	1,028,738
May 31	97,364	401,397	70,865	74,633	31,030	14,704	77,634	54,144	24,028	20,301	19,796	23,416	909,312
June 7	75,028	334,336	59,054	58,664	17,437	18,390	96,753	40,819	18,287	14,105	14,163	22,108	765,144
June 14	141,510	372,955	72,021	57,279	17,674	12,284	88,881	38,977	20,120	15,594	11,344	19,645	868,284

2. MEMBER BANKS IN CENTRAL RESERVE CITIES.

CENTRAL RESERVE CITIES.	Boston.	New York.	Philadelphia.	Cleveland.	Richmond.	Atlanta.	Chicago.	St. Louis.	Minneapolis.	Kansas City.	Dallas.	San Francisco.	Total.
Number of reporting banks:													
May 24		66					40	14					120
May 31		66					40	14					120
June 7		67					39	14					120
June 14		67					40	14					121
United States bonds to secure circulation:													
May 24		37,023					1,443	10,392					48,858
May 31		37,023					1,443	10,392					48,858
June 7		37,023					1,556	10,392					48,971
June 14		37,553					1,469	10,392					49,414
Other United States bonds, including Liberty bonds:													
May 24		256,026					43,031	11,710					310,767
May 31		243,866					44,713	19,248					307,827
June 7		248,984					42,168	17,593					308,745
June 14		240,611					52,395	17,258					310,264
United States certificates of indebtedness:													
May 24		788,777					30,757	26,572					846,106
May 31		750,071					33,874	17,624					801,569
June 7		722,006					34,849	18,231					775,086
June 14		670,859					17,503	18,766					707,128
Total United States securities owned:													
May 24		1,081,826					75,231	48,674					1,205,731
May 31		1,030,960					80,030	47,264					1,158,254
June 7		1,008,013					78,573	46,216					1,132,802
June 14		949,023					71,367	46,416					1,066,806
Loans secured by United States bonds and certificates:													
May 24		247,885					15,821	11,297					275,003
May 31		259,889					17,690	11,776					289,355
June 7		251,895					20,773	12,483					285,151
June 14		253,685					18,033	12,262					283,980
Other loans and investments:													
May 24		3,688,897					805,711	265,859					4,760,467
May 31		3,676,078					813,974	266,441					4,756,493
June 7		3,703,725					816,108	262,222					4,782,055
June 14		3,849,994					836,668	271,526					4,958,188
Total loans and investments:													
May 24		5,018,608					896,763	325,830					6,241,201
May 31		4,966,927					911,694	325,481					6,204,102
June 7		4,963,633					915,454	320,921					6,200,008
June 14		5,052,702					926,068	330,204					6,308,974
Reserve with Federal Reserve Banks:													
May 24		571,018					93,990	23,186					688,194
May 31		561,886					92,948	26,608					681,442
June 7		583,759					95,786	24,956					704,501
June 14		618,192					99,791	29,077					747,060

Principal resources and liabilities of member banks located in central reserve, reserve, and other selected cities, as at close of business on Fridays from May 24 to June 14, 1918—Continued.

2. MEMBER BANKS IN CENTRAL RESERVE CITIES—Continued.

[In thousands of dollars; i. e., 000 omitted.]

	Boston.	New York.	Philadelphia.	Cleveland.	Richmond.	Atlanta.	Chicago.	St. Louis.	Minneapolis.	Kansas City.	Dallas.	San Francisco.	Total.
Cash in vault:													
May 24	....	112,111	....	....	....	....	37,794	7,402	....	....	....	....	157,307
May 31	....	106,766	....	....	....	....	37,953	7,315	....	....	....	....	152,034
June 7	....	109,258	....	....	....	....	37,925	7,762	....	....	....	....	154,945
June 14	....	107,810	....	....	....	....	35,759	7,276	....	....	....	....	150,845
Net demand deposits on which reserve is computed:													
May 24	....	3,920,053	....	....	....	....	674,755	184,798	....	....	....	....	4,779,606
May 31	....	4,070,986	....	....	....	....	678,725	179,500	....	....	....	....	4,929,211
June 7	....	4,094,914	....	....	....	....	683,231	181,641	....	....	....	....	4,959,786
June 14	....	4,170,796	....	....	....	....	709,132	191,143	....	....	....	....	5,071,071
Time deposits:													
May 24	....	206,000	....	....	....	....	130,738	54,667	....	....	....	....	391,405
May 31	....	218,467	....	....	....	....	130,252	54,252	....	....	....	....	402,971
June 7	....	213,198	....	....	....	....	129,907	53,932	....	....	....	....	397,037
June 14	....	217,684	....	....	....	....	130,328	53,560	....	....	....	....	401,572
Total net deposits on which reserve is computed:													
May 24	....	3,967,592	....	....	....	....	704,925	197,413	....	....	....	....	4,869,930
May 31	....	4,121,401	....	....	....	....	708,783	192,020	....	....	....	....	5,022,204
June 7	....	4,144,112	....	....	....	....	713,210	194,087	....	....	....	....	5,051,409
June 14	....	4,221,031	....	....	....	....	739,208	203,503	....	....	....	....	5,163,742
Government deposits:													
May 24	....	424,103	....	....	....	....	79,310	43,527	....	....	....	....	546,940
May 31	....	362,136	....	....	....	....	62,472	45,357	....	....	....	....	469,965
June 7	....	305,338	....	....	....	....	73,738	34,491	....	....	....	....	413,567
June 14	....	346,046	....	....	....	....	70,758	32,954	....	....	....	....	449,758

3. MEMBER BANKS IN OTHER RESERVE CITIES.

OTHER RESERVE CITIES.													
Number of reporting banks:													
May 24	19	7	36	60	42	30	49	12	15	72	33	47	422
May 31	19	7	36	61	41	31	50	12	15	72	30	48	422
June 7	19	7	36	61	40	27	49	12	15	72	33	47	418
June 14	19	7	36	61	41	30	46	12	14	72	33	47	418
United States bonds to secure circulation:													
May 24	4,493	7,796	8,968	35,359	13,944	11,360	16,624	5,330	3,340	14,012	15,126	34,105	170,457
May 31	4,498	7,796	8,968	35,684	13,769	12,360	16,949	5,330	3,340	13,787	14,621	35,355	172,457
June 7	4,498	7,796	8,965	35,755	13,521	10,855	16,624	5,330	3,340	14,012	15,126	35,355	171,177
June 14	4,498	7,796	8,965	35,811	13,944	11,255	15,960	5,330	3,440	14,022	15,126	33,655	169,802
Other United States bonds, including Liberty bonds:													
May 24	11,042	16,407	18,836	66,217	14,939	18,153	26,870	4,450	8,860	18,149	13,842	18,976	236,741
May 31	9,668	15,839	21,467	64,189	17,393	22,230	30,604	4,268	10,598	18,253	13,854	24,225	252,588
June 7	9,167	14,373	20,598	56,935	17,100	18,911	29,534	5,114	8,435	18,680	13,638	23,363	235,848
June 14	9,077	13,952	20,153	55,098	17,130	19,063	24,275	5,036	8,843	17,609	13,246	22,513	225,995
United States certificates of indebtedness:													
May 24	20,216	7,519	41,810	39,481	14,291	18,428	25,088	3,266	8,085	25,035	17,073	38,421	258,713
May 31	24,109	5,890	35,394	29,780	10,779	16,346	21,188	2,227	7,457	15,768	13,317	31,181	213,436
June 7	24,757	5,625	34,827	28,207	10,954	14,718	20,115	2,077	7,335	16,279	14,620	29,879	209,393
June 14	23,595	5,439	38,867	25,909	11,804	13,920	14,753	2,063	8,302	17,435	14,839	33,186	210,112
Total United States securities owned:													
May 24	35,751	31,722	69,614	141,057	43,174	47,941	68,582	13,046	20,285	57,196	46,041	91,502	665,911
May 31	38,275	29,525	65,829	129,653	41,941	50,936	68,741	11,825	21,395	47,808	41,792	90,761	638,481
June 7	38,422	27,794	64,390	120,897	41,575	44,484	66,273	12,521	19,110	48,971	43,384	88,597	616,418
June 14	37,170	27,187	67,985	116,818	42,878	44,238	54,988	12,429	20,585	49,066	43,211	89,354	605,909
Loans secured by United States bonds and certificates:													
May 24	46,997	14,976	32,458	43,568	13,522	5,964	10,916	1,876	3,432	4,495	4,936	5,843	188,983
May 31	44,773	14,824	33,933	46,078	14,090	5,658	11,727	1,757	4,374	4,672	5,565	6,967	194,418
June 7	43,039	14,364	36,299	53,500	14,268	5,682	12,441	4,470	4,384	4,625	5,866	7,651	206,589
June 14	44,220	14,686	36,794	49,614	14,586	6,182	10,724	1,979	4,549	4,451	6,278	9,450	203,513

Principal resources and liabilities of member banks located in central reserve, reserve, and other selected cities, as at close of business on Fridays from May 24 to June 14, 1918—Continued.

3. MEMBER BANKS IN OTHER RESERVE CITIES—Continued.

[In thousands of dollars; i. e., 000 omitted.]

	Boston.	New York.	Philadelphia.	Cleveland.	Richmond.	Atlanta.	Chicago.	St. Louis.	Minneapolis.	Kansas City.	Dallas.	San Francisco.	Total.
Other loans and investments:													
May 24	546,564	150,103	557,039	869,247	249,587	226,334	511,042	87,643	182,663	459,411	146,723	460,972	4,447,328
May 31	540,079	149,388	564,907	874,248	244,904	241,251	517,206	86,134	183,291	459,205	136,070	489,784	4,486,467
June 7	543,608	141,873	559,577	879,414	238,058	213,852	514,895	81,657	184,716	461,288	142,192	510,433	4,471,563
June 14	567,263	146,445	568,285	886,246	249,922	214,542	437,554	74,263	185,282	461,983	141,921	495,389	4,429,095
Total loans and investments:													
May 24	629,312	196,801	659,111	1,053,872	306,283	280,239	590,540	102,565	206,380	521,102	197,700	558,317	5,302,222
May 31	623,127	193,737	664,669	1,049,979	300,935	297,845	597,674	99,716	209,060	511,685	183,427	587,512	5,319,366
June 7	625,069	184,031	660,266	1,053,811	293,901	264,018	593,609	98,648	208,210	514,884	191,442	606,681	5,294,570
June 14	648,653	188,318	673,064	1,052,678	307,386	264,962	503,266	88,671	210,416	515,500	191,410	594,193	5,238,517
Reserve with Federal Reserve Banks:													
May 24	48,914	13,122	51,931	75,871	21,327	23,041	39,380	6,979	14,228	41,202	14,651	41,788	392,434
May 31	53,384	14,587	49,660	73,688	20,358	22,771	39,656	5,921	14,603	39,386	12,059	45,844	391,917
June 7	49,960	13,941	54,018	71,378	20,217	19,163	38,838	6,500	13,297	42,813	13,999	47,038	391,162
June 14	57,074	17,009	54,566	89,939	22,045	23,172	35,953	6,728	14,486	36,971	14,666	52,632	425,241
Cash in vault:													
May 24	17,964	5,308	16,204	26,551	11,502	11,933	23,046	4,718	6,203	16,126	9,291	18,327	167,173
May 31	16,250	5,433	16,836	28,127	12,228	13,522	24,342	5,088	6,017	15,866	9,895	19,509	173,113
June 7	17,552	5,418	17,089	30,101	11,537	11,436	23,738	4,934	6,790	16,510	9,046	19,535	173,686
June 14	17,669	5,439	16,709	29,140	11,420	11,187	21,329	4,955	5,597	15,934	8,956	19,333	167,668
Net demand deposits on which reserve is computed:													
May 24	497,406	128,002	517,599	627,001	187,870	162,093	315,936	59,056	132,797	351,821	119,386	364,818	3,463,785
May 31	498,074	129,845	506,257	641,833	184,107	174,035	323,006	58,389	131,336	350,004	112,722	374,726	3,484,334
June 7	508,238	127,441	510,221	644,846	185,309	156,206	314,693	58,400	129,954	358,728	118,417	381,345	3,493,798
June 14	530,336	132,715	518,436	657,264	197,971	164,527	281,135	60,690	127,843	363,811	122,095	373,591	3,530,414
Time deposits:													
May 24	26,518	16,586	8,128	212,651	33,111	64,120	211,035	16,210	23,864	62,023	19,524	94,896	788,666
May 31	25,509	16,532	8,115	215,256	29,308	68,110	212,220	14,596	23,818	61,974	17,757	102,932	796,127
June 7	25,199	17,976	8,016	215,174	28,775	63,596	210,302	13,488	22,849	60,482	19,643	107,758	793,258
June 14	25,107	18,266	8,730	212,061	28,571	63,834	172,557	13,505	23,760	61,894	19,588	101,141	749,014
Total net deposits on which reserve is computed:													
May 24	505,361	132,978	520,037	690,796	197,803	181,329	379,247	63,919	139,956	370,428	125,243	393,287	3,700,384
May 31	505,727	134,804	508,692	706,410	192,899	194,468	386,672	62,768	138,481	368,596	118,049	405,606	3,723,172
June 7	515,798	132,833	512,626	709,398	193,941	175,285	377,784	62,446	136,809	376,873	124,310	413,672	3,731,775
June 14	537,868	138,195	521,055	720,882	206,542	183,677	332,902	64,742	134,971	382,379	127,972	403,933	3,755,118
Government deposits:													
May 24	88,487	26,039	68,964	86,909	12,956	26,349	19,369	7,378	18,437	22,793	24,697	16,890	419,268
May 31	81,261	21,099	68,147	73,495	23,720	11,686	14,922	6,964	21,368	20,301	18,246	23,416	384,625
June 7	63,200	14,469	56,513	57,547	12,329	15,866	18,840	5,098	16,804	14,105	13,114	22,108	309,993
June 14	116,149	12,727	68,868	56,162	13,915	11,122	17,987	4,598	18,788	15,594	10,587	19,645	366,142

4. MEMBER BANKS OUTSIDE RESERVE CITIES.

COUNTRY BANKS.													
Number of reporting banks:													
May 24	23	25	13	21	23	8	5	6	18	....	7	....	149
May 31	23	25	13	20	23	6	5	6	18	....	8	....	147
June 7	23	25	13	22	27	8	4	6	14	....	8	....	150
June 14	23	25	13	22	29	6	5	6	13	....	8	....	150
United States bonds to secure circulation:													
May 24	10,123	6,548	4,010	7,657	7,964	2,830	750	1,670	2,828	....	1,753	....	46,133
May 31	10,123	6,548	4,010	7,657	7,389	2,030	750	1,670	2,579	....	2,453	....	45,209
June 7	10,123	6,548	4,010	7,707	9,699	2,830	750	1,670	2,004	....	2,453	....	47,794
June 14	10,123	6,548	4,010	7,712	10,024	2,030	750	1,695	2,179	....	2,453	....	47,524
Other United States bonds, including Liberty bonds:													
May 24	5,327	13,277	3,435	4,218	7,943	2,736	1,995	1,729	2,870	....	1,657	....	45,187
May 31	5,713	15,885	3,890	4,618	7,833	2,506	2,096	2,285	2,609	....	2,198	....	49,633
June 7	5,569	15,062	3,929	4,774	10,283	3,258	1,980	2,013	1,588	....	2,421	....	50,877
June 14	5,748	14,880	4,184	4,543	10,598	2,749	1,633	1,991	1,772	....	2,348	....	50,446

Principal resources and liabilities of member banks located in central reserve, reserve, and other selected cities, as at close of business on Fridays from May 24 to June 14, 1918—Continued.

4. MEMBER BANKS OUTSIDE RESERVE CITIES—Continued.

[In thousands of dollars; i. e., 000 omitted.]

	Boston.	New York.	Philadelphia.	Cleveland.	Richmond.	Atlanta.	Chicago.	St. Louis.	Minneapolis.	Kansas City.	Dallas.	San Francisco.	Total.
United States certificates of indebtedness:													
May 24	8,179	8,418	4,619	3,356	2,081	3,892	390	1,389	3,112	....	1,437	....	36,873
May 31	6,663	6,043	3,730	2,563	1,408	2,072	230	791	1,720	....	1,653	....	26,873
June 7	6,429	5,768	3,780	2,848	2,182	2,572	220	556	1,711	....	1,414	....	27,480
June 14	6,315	6,117	4,150	2,877	2,324	2,272	230	515	1,703	....	1,419	....	27,922
Total United States securities owned:													
May 24	23,629	28,243	12,064	15,231	17,988	9,458	3,135	4,788	8,810	....	4,847	....	128,193
May 31	22,499	28,476	11,630	14,838	16,630	6,608	3,076	4,746	6,908	....	6,304	....	121,715
June 7	22,121	27,378	11,719	15,329	22,164	8,660	2,950	4,239	5,303	....	6,288	....	126,151
June 14	22,186	27,545	12,344	15,132	22,946	7,051	2,613	4,201	5,654	....	6,220	....	125,892
Loans secured by United States bonds and certificates:													
May 24	9,642	11,931	1,860	843	1,702	501	625	833	308	....	210	....	28,455
May 31	9,378	12,691	1,916	832	2,130	382	642	810	128	....	280	....	29,189
June 7	9,777	12,654	1,939	942	2,708	622	600	1,149	125	....	272	....	30,788
June 14	10,028	12,686	1,988	935	2,794	634	666	757	119	....	307	....	30,914
Other loans and investments:													
May 24	229,281	188,762	68,804	72,510	77,563	32,432	10,992	22,247	62,404	....	20,890	....	785,885
May 31	227,961	187,876	68,845	68,641	71,339	24,693	10,918	22,638	52,050	....	26,241	....	761,202
June 7	228,042	192,787	68,952	74,058	97,222	32,779	10,207	22,247	40,178	....	25,546	....	792,018
June 14	229,851	196,622	69,337	73,617	100,822	27,532	10,927	22,451	44,718	....	26,042	....	801,919
Total loans and investments:													
May 24	262,552	228,936	82,728	88,584	97,253	42,391	14,752	27,868	71,522	....	25,947	....	942,533
May 31	259,838	229,043	82,391	84,311	90,099	31,683	14,636	28,194	59,086	....	32,825	....	912,106
June 7	259,940	232,819	82,610	90,329	122,094	42,061	13,757	27,635	45,606	....	32,106	....	948,957
June 14	262,065	236,853	83,669	89,684	126,562	35,217	14,206	27,409	50,491	....	32,569	....	958,725
Reserve with Federal Reserve Bank:													
May 24	13,895	12,812	5,367	5,282	4,680	2,008	944	1,537	3,705	....	1,323	....	51,553
May 31	13,399	12,640	4,931	5,120	4,370	1,495	898	1,472	3,332	....	1,648	....	49,305
June 7	13,198	11,998	5,755	5,264	5,639	1,639	740	1,439	2,472	....	1,838	....	49,982
June 14	13,649	14,556	5,341	5,414	6,136	1,808	757	1,876	2,724	....	1,786	....	54,047
Cash in vault:													
May 24	9,007	7,560	3,460	4,078	3,129	1,604	389	1,275	3,366	....	1,141	....	35,009
May 31	8,515	7,800	3,633	3,960	3,031	1,000	491	1,222	2,805	....	1,849	....	34,306
June 7	8,981	8,324	3,897	4,672	3,954	1,349	471	1,349	2,376	....	1,323	....	36,696
June 14	9,014	7,392	3,470	4,495	4,363	1,297	393	1,341	1,999	....	1,626	....	35,390
Net demand deposits on which reserve is computed:													
May 24	160,475	171,623	68,811	61,251	60,689	20,783	9,028	15,799	41,300	....	16,392	....	626,151
May 31	156,458	175,246	69,446	59,580	55,052	15,715	8,887	14,158	36,911	....	20,497	....	611,950
June 7	157,856	177,169	68,243	62,910	71,032	20,800	8,106	16,000	28,571	....	16,585	....	627,272
June 14	159,146	182,911	70,657	63,853	74,383	17,490	8,212	16,499	32,123	....	20,191	....	645,465
Time deposits:													
May 24	69,270	26,886	5,612	16,144	7,609	14,266	4,198	5,765	22,622	....	2,303	....	174,675
May 31	70,098	26,508	5,681	13,851	7,528	11,051	4,208	5,773	17,267	....	4,759	....	166,724
June 7	68,674	26,348	5,783	16,763	13,066	14,233	4,030	5,763	13,386	....	2,515	....	170,561
June 14	68,367	26,391	5,841	16,820	14,355	12,338	4,232	5,825	13,933	....	4,735	....	172,837
Total net deposits on which reserve is computed:													
May 24	190,162	183,146	71,216	68,170	63,950	26,897	10,827	18,270	50,995	....	17,379	....	701,012
May 31	186,500	186,607	71,881	65,516	58,278	20,451	10,690	16,632	44,311	....	22,537	....	683,403
June 7	187,288	188,461	70,721	70,094	76,632	26,900	9,833	18,470	34,308	....	17,663	....	700,370
June 14	188,446	194,221	73,160	71,062	80,535	22,778	10,026	18,996	38,094	....	22,220	....	719,538
Government deposits:													
May 24	14,381	24,565	2,439	1,001	5,481	3,771	231	2,411	4,427	....	3,823	....	62,530
May 31	16,103	18,162	2,718	1,138	7,310	3,018	240	1,823	2,660	....	1,550	....	54,722
June 7	11,828	14,529	2,541	1,117	5,108	2,524	175	1,230	1,483	....	1,049	....	41,584
June 14	25,361	14,182	3,153	1,117	3,759	1,162	136	1,425	1,332	....	757	....	52,384

EARNINGS ON INVESTMENTS OF FEDERAL RESERVE BANKS.

Average amount of earning assets held by each Federal Reserve Bank during May, 1918, earnings from each class of earning assets, and annual rates of earnings on basis of May, 1918, returns.

Banks.	Average balances for the month of the several classes of earning assets.				
	Bills discounted for members and Federal Reserve banks.	Bills bought in open market.	United States securities.	Municipal warrants	Total.
Boston	$44,819,109	$20,220,714	$2,082,200		$67,122,023
New York	413,626,256	129,270,383	15,527,969		558,424,608
Philadelphia	39,987,334	25,205,982	3,962,400		69,155,716
Cleveland	56,634,836	13,511,059	17,731,292		87,877,187
Richmond	48,961,420	4,001,285	3,114,410		56,077,115
Atlanta	23,745,139	6,085,470	1,994,385	$50,004	31,874,998
Chicago	88,966,192	39,509,219	10,163,633		138,639,044
St. Louis	35,827,016	8,381,904	2,744,400		46,953,320
Minneapolis	21,420,000	7,391,000	3,199,000		32,010,000
Kansas City	60,431,571	2,351,811	13,249,593		76,032,975
Dallas	27,831,346	1,894,839	6,007,790	485,416	36,219,391
San Francisco	39,851,755	20,640,540	4,868,858		65,361,153
Total	902,101,974	278,464,206	84,645,930	535,420	1,265,747,530

Banks.	Earnings from—					Calculated annual rates of earnings from—				
	Bills discounted for members and Federal Reserve Banks.	Bills bought in open market.	United States securities.	Municipal warrants.	Total.	Bills discounted for members and Federal Reserve Banks.	Bills bought in open market.	United States securities.	Municipal warrants.	Total.
Boston	$159,678	$73,645	$5,410		$238,733	4.19	4.29	3.06		4.19
New York	1,426,595	459,784	34,389		1,920,763	4.06	4.18	2.61		4.05
Philadelphia	141,698	85,776	12,027		239,501	4.17	4.00	3.57		4.07
Cleveland	210,955	48,827	54,411		314,193	4.38	4.25	3.61		4.21
Richmond	182,392	15,461	6,110		203,963	4.39	4.55	2.31		4.28
Atlanta	85,336	21,334	5,091	$205	111,966	4.23	4.13	3.01	4.82	4.14
Chicago	329,847	143,350	24,415		497,612	4.37	4.27	2.36		4.23
St. Louis	133,217	29,996	6,051		169,264	4.37	4.21	2.51		4.24
Minneapolis	87,179	28,361	7,603		123,143	4.79	4.52	2.80		4.53
Kansas City	227,871	8,336	32,099		268,306	4.44	4.17	2.85		4.15
Dallas	109,156	9,507	13,798	1,672	134,133	4.61	5.09	2.70	4.05	4.36
San Francisco	152,618	72,427	11,685		236,730	4.51	4.13	2.76		4.26
Total	3,246,542	996,804	213,089	1,877	4,458,312	4.38	4.36	3.06	4.27	4.29

GOLD IMPORTS AND EXPORTS.

Gold imports and exports into and from the United States.

(In thousands of dollars; i. e., 000 omitted.)

	Week ending— May 24, 1918.	Week ending— May 31, 1918.	Week ending— June 7, 1918.	Week ending— June 14, 1918.	Total since Jan. 1, 1918.	Total for corresponding period in 1917.
IMPORTS.						
Ore and base bullion	602	503	417	90	5,635	7,097
United States Mint or assay office bars						19
Bullion refined	71	62	100	17,061	23,412	252,145
United States coin	2,000	2,137	1		6,629	52,356
Foreign coin					142	77,222
Total	2,673	2,702	518	17,151	35,818	388,839
EXPORTS.						
Domestic:						
Ore and base bullion			6	2	50	106
United States Mint or assay office bars	90	90	30		361	18,441
Bullion refined	2	5	5	2	3,388	2,895
Coin	1,328	580	872	596	15,899	127,160
Total	1,420	675	913	600	19,698	148,602
Foreign:						
Bullion refined						31
Coin			27		346	5,177
Total			27		346	5,208
Total exports	1,420	675	940	600	20,044	153,810

Excess of gold imports over exports since Jan. 1, 1918, $15,774; excess of gold imports over exports since Aug. 1, 1914, $1,066,078.

DISCOUNT RATES.

Discount rates of each Federal Reserve Bank approved by the Federal Reserve Board up to June 29, 1918.

Federal Reserve Bank.	Maturities. Discounts. Within 15 days, including member banks' collateral notes.	Discounts. 16 to 60 days.	Discounts. 61 to 90 days.	Discounts. Agricultural and live-stock paper over 90 days.	Discounts. Secured by U. S. certificates of indebtedness or Liberty loan bonds. Within 15 days, including member banks' collateral notes.	Discounts. Secured by U. S. certificates of indebtedness or Liberty loan bonds. 16 to 90 days.	Trade acceptances. 1 to 60 days, inclusive.	Trade acceptances. 61 to 90 days, inclusive.
Boston	4	4¾	4¾	5	4	4¼	4½	4½
New York [1]	4	4¾	4¾	5	4	4¼	4½	4½
Philadelphia	4	4¾	4¾	5	4	4¼	4½	4½
Cleveland	4¼	4¾	4¾	5¼	4	4¼	4½	4½
Richmond	4¾	5	5	5¼	4¼	4¼	4½	4¾
Atlanta	4	4¾	4¾	5	4	4¼	4½	4½
Chicago	4	4¾	5	5½	4	4¼	4½	4½
St. Louis	4	4¾	4¾	5½	4	4¼	4½	4½
Minneapolis	4	4¾	5	5½	4	4¼	4½	4½
Kansas City	4½	5¼	5¼	5½	4¼	4¼	4¾	4¾
Dallas	4	4¾	5	5¼	4	4¼	4½	4½
San Francisco	4	4¾	4¾	5½	4	4¼	4½	4½

[1] Rate of 3 to 4½ per cent for 1-day discounts in connection with the loan operations of the Government.

NOTE 1.—Acceptances purchased in open market, minimum rate 4 per cent.
NOTE 2.—Rates for commodity paper have been merged with those for commercial paper of corresponding maturities.
NOTE 3.—In case the 60-day trade acceptance rate is higher than the 15-day discount rate, trade acceptances maturing within 15 days will be taken at the lower rate.
NOTE 4.—Whenever application is made by member banks for renewal of 15-day paper, the Federal Reserve Banks may charge a rate not exceeding that for 90-day paper of the same class.

Estimated general stock of money, money held by the Treasury and by the Federal Reserve system, and all other money in the United States.

	June 1, 1918.				
	General stock of money in the United States.	Held in the United States Treasury as assets of the Government.[1]	Held by or for Federal Reserve Banks and agents.	Held outside the United States Treasury and Federal Reserve system.	Amount per capita outside the United States Treasury and the Federal Reserve system.
Gold coin [2]	$3,043,879,782	$246,384,007	$1,237,973,169	$436,755,229	....
Gold certificates	....	....	545,928,249	576,839,128	....
Standard silver dollars	518,583,959	25,880,763	[3] 819,218	76,924,936	....
Silver certificates	....	....	10,618,687	402,482,428	....
Subsidiary silver	231,646,325	15,603,258	....	216,043,067	....
Treasury notes of 1890	....	....	....	1,857,927	....
United States notes	346,681,016	7,055,564	[4] 46,448,482	293,176,970	....
Federal Reserve notes	1,736,548,025	35,501,730	123,609,220	1,577,437,075	....
Federal Reserve bank notes	13,681,030	71,795	4,408,700	9,200,535	....
National bank notes	723,987,645	17,825,587	13,990,372	692,171,686	....
Total:					
June 1, 1918	6,615,007,782	348,322,704	1,983,796,097	4,282,888,981	$40.51
May 1, 1918	6,540,954,630	321,192,308	1,909,594,674	4,310,167,648	40.82
April, 1918	6,480,181,525	339,856,674	1,873,524,132	4,266,800,719	40.47
March, 1918	6,351,548,056	330,927,176	1,827,126,208	4,193,494,672	39.83
February, 1918	6,271,603,039	332,576,125	1,834,102,608	4,104,924,306	39.04
January, 1918	6,256,198,271	277,043,358	1,723,570,291	4,255,584,622	40.53
December, 1917	6,026,127,909	248,167,148	1,646,773,746	4,131,187,015	39.40
November, 1917	5,823,854,335	242,265,377	1,546,124,691	4,035,464,267	38.54
October, 1917	5,642,264,856	242,469,027	1,429,422,432	3,970,373,397	37.97
September, 1917	5,553,661,154	239,654,267	1,373,987,061	3,940,019,826	37.73
August, 1917	5,513,292,894	248,268,325	1,395,982,728	3,869,041,841	37.10
July, 1917	5,480,009,884	253,671,614	1,280,880,714	3,945,457,556	37.88

[1] Includes reserve funds against issues of United States notes and treasury notes of 1890 and redemption funds held against issues of national bank notes, Federal Reserve notes and Federal Reserve bank notes.
[2] Includes balances in gold settlement fund standing to the credit of the Federal Reserve Banks and agents.
[3] Includes subsidiary silver.
[4] Includes Treasury notes of 1890.

FOREIGN EXCHANGE RATES.

Monthly ranges of exchange rates on leading foreign money centers, quoted in New York during the three months ending June, 1918.

	Exchange at par.	April.		May.		June.	
		Low.	High.	Low.	High.	Low.	High.
London:							
60-day bankers' bills .... dolls. for £1	4.8665	4.7225	4.7275	4.72625	4.7275	4.7225	4.72625
Sight drafts .... do	4.8665	4.7535	4.7550	4.7545	4.7550	4.7530	4.7550
Paris .... francs for 100 dolls	518.1347	572.25	571.75	572	570.50	571.50	571.25
Petrograd .... dolls. for 100 rubles	51.46	13.25	14.50	[1] 14.50	15.25	[1] 15	15.25
Milan .... lire for 100 dolls	518.1347	902	879	914.50	896.50	911	886
Madrid .... dolls. for 100 pesetas	19.30	25.50	29.75	27.50	28.40	27.25	28.55
Amsterdam .... dolls. for 100 florins	40.20	46.50	48.25	47.75	50.50	49.75	51
Stockholm .... dolls. for 100 kronor	26.80	33.75	34.50	33.70	34.75	34	35.60
Copenhagen .... do	26.80	31	31.75	31	31.50	30.80	31.25
Zurich .... francs for 100 dolls	518.1347	431.50	425	425	383	404	394
Buenos Aires [2] .... dolls. for 100 gold pesos	96.48	97.75	99.65	95.25	99.80	97.15	98.60
Rio de Janeiro [2] .... dolls. for 100 paper milreis	[3] 54.62	25.32	25.84	25.19	25.64	24.88	25.64
Valparaiso [2] .... dolls. for 100 pesos	36.50	29.37	31.10	31.55	33.28	32.95	33.78
Yokohama .... dolls. for 100 yen	49.85	51.65	51.90	51.90	52.75	52.50	52.90
Hongkong .... dolls. for 100 Hongkong dolls	....	74	77	74.75	76.50	76.35	79
Shanghai .... dolls. for 100 Shanghai taels	....	104.50	109	107	109.50	109	113.50
London price of silver at nominal rate of £ ($4.8665) [4]	....	....	....	....	....	....	....
New York price of silver [5]	....	....	....	....	....	....	....

[1] Quotations for May and June are cable rates.
[2] Cable rates on New York.
[3] Rate for a gold milreis.
[4] Average for April, $1,035; for May, $1.074; and for June, $1.0714.
[5] Average for April, $0.953; for May, $0.995; and for June, $0.995.

INDEX.