Unfinished manuscript on the history
of the Federal Reserve Bank of Kansas City

Jess Worley

D I R E C T O R S

Class A.

GORDON JONES, Denver, Colo. (1 YEAR) Succeeded in 1915 by
J. C. MITCHELL, Denver, Colo. Re-elected effective Jan. 1, 1919-1922.
W. J. BAILEY, Atchison, Kans. (2 YEARS) Re-elected effective 1917-1920.
C. E. BURNHAM, Norfolk, Nebr. (3 YEARS) Re-elected effective 1918-1921.
Resigned, effective 1921, Succeeded by -
E. E. MULLANEY, Hill City, Kans.

Class B.

T. C. BYRNE, Omaha, Nebr. (1 YEAR) Re-elected effective 1916-1919-1922.
M. L. McCLURE, Kansas City, Mo. (2 YEARS) Re-elected effective 1917-1920.
L. A. WILSON, ElReno, Okla. (3 YEARS) Moved from District
December, 1916, Succeeded by -
H. W. GIBSON, Muskogee, Okla., Re-elected effective 1918-1921.

Class C.

R. H. MALONE, Denver, Colo. (1 YEAR) Re-appointed in 1915-1918, Succeeded
in 1921 by -
HEBER HORD, Central City, Nebr.
ASA E. RAMSAY, Muskogee, Okla. (2 YEARS) Vice-Chairman and
Deputy Agent until resigned in October 1915, Succeeded by -
FRED W. FLEMING, Kansas City, Mo., Re-appointed in 1917 and 1920.
J. Z. MILLER, JR., Kansas City, Mo. (3 YEARS) Chairman and
Federal Reserve Agent until he became Governor in 1916 -
Succeeded in 1916 by -
ASA E. RAMSAY, Kansas City, Mo., Appointed, effective 1918-1921.

GOVERNORS

CHAS. ~~H.~~ M. SAWYER - October 16, 1914 to January 4, 1916.
J. Z. MILLER, Jr., January 4, 1916 to June 22, 1922.
W. J. BAILEY, - June 22, 1922 -

CHAIRMAN AND AGENT

J. Z. MILLER, JR., - October 16, 1914 to January 4, 1916.
CHAS. ~~H.~~ M. SAWYER, - January 4, 1916 to December 26, 1917.
ASA E. RAMSAY, December 26, 1917, Re-appointed effective 1919-1920-1921-1922.

CHRONOLOGY

of

Events relating to history of Federal Reserve Act And Federal Reserve Bank of Kansas City.

* * * * * *

1893

Disastrous panic which began to influence financial legislation in United States. Page 10.

1907

Panic during summer and fall during which time banks were unable to pay in cash and had to issue clearing house certificates. Treasury unable to assist materially on account of having funds deposited in tight places. However, it transferred bonds from deposit accounts to circulation accounts and substituted non-national bonds behind public deposits.

Sept. 25 and 26 American Bankers Association hears legislation committee report. Page 4.

Dec. 7. Congress met and discussed currency legislation. Representative Fowler and Senator Aldrich fathered the Aldrich bill. Representative Vreeland submitted his bill. These bills were compromised into the Aldrich-Vreeland Bill, sometimes called the "Clearing House Currency Bill." Pages 2,3 and 4.

1908

March. Congress appointed the National Monetary Commission. Page 5

1911

The Pujo Committee of the House was appointed to investigate banking methods in the United States.

1912

January 19. Report of National Monetary Commission made to Congress. Page 5.

April. Sub-committee of the House Banking and Currency Committee, Carter Glass, chairman, began the framing of the future Federal Reserve Act, constituting the reframing of the Aldrich-Vreeland bill and writing in financial ideas gleaned from European and American sources. Page 5

1913

June 18 Committee reported bill to House.

July 7 House began considering bill.

Aug. 18 Secretary of Treasury issued circular announcing Government Depositaries plan. Page 7

Sept. (early)	Bill reported to Democratic House caucus.
Sept. 9	Ratified by caucus and formally reported to House.
Sept. 10	Debate begun in House.
Sept. 18	Passed by the House and reported to Senate.
Oct. 25	enate hearings ended and bill sent to committee.
Dec. 1	ommittee reported bill to Senate and debate was egun. Sent to Conference December 19.
Dec. 22	ported out of Conference. Passed by House (vote 298 to 60)
Dec. 23	ssed by Senate. (Vote 43 to 25) ACT SIGNED BY PRESIDENT

1914

January	nsas City begins fight for a Federal Reserve Bank.	Pages 11 and 12.
	Louis Committee tries to influence Kansas City Clearing se to join in urging bank for St. Louis.	Page 12.
	ator Reed convinced of justness in Kansas City's claim.	
	ss announces itinerary of Federal Reserve Organization mittee not to include Kansas City.	Page 13.
January 23	etary McAdoo and Secretary Houston conduct hearing in as City. Comptroller Williams not present.	Page 13
February	ial committee interviews John Skelton Williams, Comptroller the Currency.	Pages 16 and 17
August 3	as City clearing house adopts strenuous resolutions ding its deposits.	Pages 8 and 9
August 7	"Aldrich Currency" received in Kansas City through y of National Currency Association.	Page 8
Sept. 15	ern Oklahoma Bank petition to join the Tenth District	Page 19
	ion granted.	Page 20
Oct. 16	s City directors hold first meeting. Decide on November as early as possible a date for opening.	Page 22.
	mine salary of governor and elected Mr. Sawyer to that .	Page 33
	advisory counsel. Fix salary of Vice-Chairman.	Page 34
Oct. 31	director's meeting. Decide on bank quarters.	
	ne salaries of directors and officers.	Page 36
	Jerome Thrawls Cashier and Secretary. L. Thralls	Page 39
Nov. 16	ens	Page 47

1915

April 26	G Hamlin makes first visit to Kansas City.	Page 55
May 13	Examination by Federal Reserve Board.	Page 56
Sept. 23	Virman Ramsay resigns.	Page 57
Nov.	Scamination of bank.	Page 58
Dec. 16	Bmes Fiscal Agent of government.	Page 60
	Airst report.	Page 60-A

December 16. J.C. Mitchell succeeds Gordon Jones. Page 61.

1916.

January 4. Chairman Miller becomes Governor. Page 61. Charles M. Sawyer elected as Federal Reserve Agent. Col. Fred W. Fleming appointed Vice-Chairman to succeed Mr. Ramsay.

February 10. Mr. Thralls resigns. Succeeded by Arch W. Anderson. Pages 62-63. J.L. Cross elected assistant to the Governor. Page 66-B.

July 13. First dividend authorized. Page 65.

September 28. Governor Harding makes first visit. Page 65.

October 12. Director Wilson resigns. Page 66.

December 19. Second dividend authorized. Page 66.

December. H.W. Gibson succeeds Director Wilson. Page 66-B.

1917

January 11.	J.L. Cross elected Deputy Governor. Page 67.
February 21.	Bank adopts Group Insurance for employes. Page 68.
April.	First Liberty Loan launched. Page 69.
June 1.	Treasury authorizes Participation Certificates. Page 70-A
June 14.	Omaha banks request branch. Page 70.
June 29.	Mr. Worthington made Assistant Cashier. Page 72.
October 12.	M.A. Thompson elected Assistant Cashier. Page 74.
December 6.	Board authorizes first extra compensation for employees and junior officers on account of high living costs. Page 775

1918

January 10.	Asa E. Ramsay who had resigned as class "B" director in 1916, was reappointed by Federal Reserve Board on December 6, 1917, and attended his first meeting after his return to the bank as Federal Reserve Agent. Succeeded Mr. Sawyer. First mention made of new bank building. Page 75
May 9	S. A. Wardell, Acting Auditor, elected Auditor to succeed M. J. McNellis. Page 77
June 13	Board determined on 10th & Grand Avenue for site new bank building. Page 778
June 27	E. P. Tyner elected Acting Assistant Cashier - Page 80
July 25	M. A. Thompson resigns. F.A. Delano resigns. Page 80
Sept.12	J. W. Helm, L. H. Earhart, and John Phillips, Jr. appointed Acting Assistant Cashiers. Page 80
Oct. 25	Death of Asa E. Ramsay, Jr., during epidemic of Influenza. Page 82
Nov. 14	Resolution toward reducing loans. Page 83

1919

Feb. 13	Employees dinner - main bank and branches. Resignation of J. L. Cross, Deputy Governor. C. A. Worthington designated Assistant to Governor. Resignation of Arch W. Anderson Sec. & Cashier Pages 85-86

Feb. 27	Promotion of the following: J. W. Helm, C. K. Boardman, John Phillips, Jr., C. E. Daniel, G. E. Barley and G. H. Pipkin.	Page 86
April 24	M. W. E. Park made Assistant Cashier	Page 88
July 24	Board hears applications for branch bank from Lincoln, Nebraska, Oklahoma City, Oklahoma, Tulsa, Oklahoma and Wichita, Kansas.	Page 88
Nov. 25	Board approves bonus for employees.	Page 98
Dec. 17	Federal Reserve Board announces in favor of Oklahoma City for Branch bank.	Page 90

1920

Jan. 8	A. G. Frost made Assistant Cashier.	Page 94
March 25	O. T. Eastman resigns as manager of the Omaha Branch, and L. H. Earhart is appointed his successor.	Page 93
April 13	Congress passed legislation permitting progressive discount rate.	Page 103
	Chapter on progressive rate	Pages 96 to 107.
May 27	C. E. Daniel elected manager of Oklahoma City branch and G. H. Pipkin and A. M. McAdams appointed Assistant Cashiers - main bank.	Page 94

1921

January	Resignation of Director Burnham, succeeded by E. E. Millaney	Page 108
January 27	Directors decide to require heavy borrowers to liquidate portion of their rediscounts.	Page 110
March	Death of Luther Drake, Director of Omaha branch. Election of Wm. J. Coad as his successor.	Page 111
April 16	Corner-stone of new bank building placed.	Page 111
June 7	Livestock conference at Washington	Page 116
June 9	Final bonus to employees authorized.	Page 117
	Accidental death by drowning of Ballauf Ramsay, son of Federal Reserve Agent.	Page 118
June 23	Directors authorize purchase of lots in Oklahoma City and Denver and construction of permanent homes for these branch banks.	Page 119
	T. Gordon Sanders elected Assistant Auditor. Wm. Phillips elected Assistant Cashier of Omaha Branch. Directors authorize absorption of Fiscal Agency Department after July 1st.	Page 120
July 14	Directors endorse pending Pension Bill for Federal employees	Page 121
July 23	Oil men confer with Directors on request for more liberal rediscount privileges	Pages 122 to 125
	Bank suspends progressive rate	Page 126
August 15	Agent Ramsay testifies before I. C. C. on grain rate hearing.	Page 126
October25	Nebraska bankers appeal for concessions for farmers and stockgrowers (the McKelvie incident)	Page 127-130

Copy of Chapter 1 History

THE PANIC of 1907 AS AN "ILL WIND"

While the history of the Federal Reserve Bank of Kansas City, like that of each of the other eleven banks, begins with the date of its opening November 16, 1914, so closely are the national and local events of the preceding few years related to this history that a brief summary of these preceding events is not out of place as an introductory of the actual history of the bank. It can be said in fact that the history of the Federal Reserve System ~~Kansas City~~ had its indirect beginning during the financial panic of 1907, for it was that panic that caused bankers and legislators to foresee the necessity of a new banking system that would be at once both co-operative and protective ~~banking system~~. There had been previous attempts on the part of bank associations to establish emergency currency measures to tide over the crop-moving periods.

~~As it~~ It is well remembered that the banks of the country during the summer and fall of 1907 were unable to make more than meager payments of cash and still maintain their lawful reserves. They were forced to issue clearing house certificates, and not a few bankers in Kansas City in the years that followed the crisis pondered frequently over the miraculous escapes from failure during that stressful period. The mention of clearing house certificates recalls to numerous business men and bankers in this district the cause of prematurely gray hairs over the financial worries of the eventful year of 1907. The Treasury at that time was unable to help the banks of the country because its funds had been deposited in tight places. However, the Treasury did transfer, where possible, bonds from deposit accounts to circulation accounts. It also substituted non-national bonds behind the public deposits. While these measures were of some relief nationally, the Kansas City banking territory was forced to depend more specifically upon the resourcefulness of the members of the Kansas City Clearing House Association. It is noteworthy therefore that some of the veteran bankers who were so instrumental in preserving innumerable institutions from financial shipwreck during that memorable year were among the active men who assisted in obtaining for Kansas City one of the twelve Federal Reserve Banks and also in opening this bank to the public. Interesting facts concerning some of these men will be found elsewhere in this volume.

Inelasticity was the glaring fault of the banking system in vogue prior to 1914. The condition may be here reviewed most briefly by stating a very few facts. The ~~banking power~~ combined capital, surplus and deposits of the banks of this country prior to 1914 was enormous when the figures were viewed on paper as the following table will show:

#7

	No. of Banks	Capital & Surplus	Deposits	Total ~~Banking Power~~
National	7,500	$2,000,000,000	$7,000,000,000	$9,000,000,000
State and Trust Co.	20,500	2,000,000,000	12,000,000,000	14,000,000,000
	28,000	$4,000,000,000	$19,000,000,000	$23,000,000,000

As these figures show, the average ~~banking power of each~~ amount of money concerned in each bank ~~in the country~~ was approximately $821,422, which doubtless seemed at that time a sufficiently large average. But the stumbling block to finance lay in the fact that banks ~~would~~ could not co-operate except in cases where stock ownership in state banks ~~might~~ proved a relief for those state banks so coordinated. The banks of one locality might save that community but they could not draw on their reserves to assist neighboring banks and communities. The reserves of the 7,500 national banks might have been quite adequate and in many cases it has been since learned they were much more than required by law-- but these reserves under the national bank act were bottled up within the bank where they could not be of any service to the community or to the country. It has been stated officially that during the latter part of the panic of 1907 some banks which were required by law to carry only 15% reserves were actually carrying a reserve of between 40% and 50% of their deposits while in 1914 the reserves of some banks amounted to 70%. In fact, it is stated authentically that during the stringency of 1914 which was induced largely by inability to move crops, [illegible] banks were carrying 200 million dollars in cash in their vaults and with their reserve agents in excess of their regular requirements. The fact that this 200 millions of dollars might easily have averted the stringency if it had been usable, shows up the fallacy of the old banking system.

The logical result of the panic of 1907 - and this panic left its mark upon the Kansas City banking territory for several succeeding months - was that the opening of Congress on December 7 of that year found Currency the paramount subject for legislation. Senator Aldrich and a member of the House of Representatives fathered a currency bill afterward known as the Aldrich bill. At the same session Representative Vreeland submitted a bill also aimed at the correction of the existing banking system. Later during the same session these two bills were compromised into the Aldrich-Vreeland bill, sometimes called the "Clearing House Currency Bill."

In this connection it may be well to publish for what is believed to be the first time some "inside history" concerning the formation of the Aldrich-Vreeland Act, which information may surprise many readers who believed they knew the first-hand facts concerning this measure.

The American Bankers Association at its 1907 meeting held at Atlantic City on September 25 and 26 heard a report from the previously appointed Currency Commission of the association. It then appointed a Federal Legislative Committee of five representative banking men of the United States with instructions for them to confer in Washington with Senator Aldrich and the House member who was associated with him in the formation of his currency bill. The committee was made up of the following men:

Arthur Reynolds, President of DesMoines National Bank, Chairman.
E. F. Swinney, President of First National Bank, Kansas City, Missouri.
Joseph A. McCord, Vice-President of Third National Bank, Atlanta, Georgia.
W. V. Cox, President of Second National Bank, Washington, D. C.
John L. Hamilton, Vice-President of Hamilton & Cunningham, Hoopeston, Ill.

These men proceeded to Washington and, after a consultation with Senator Aldrich and his associate, returned to their homes feeling that their advice had been heeded and their counsel would be accepted. No sooner had they arrived at their homes however than they ~~each member~~ received ~~a~~ telegrams from Washington stating that the House member with whom they had conferred was playing false with them and with the country at large in connection with the bill. The telegram advised them to return to Washington at once, which they did. E. F. Swinney, President of the First National Bank of Kansas City, one of the members of that committee, recently told the remainder of the story as follows:

"On reaching Washington we ignored the House member referred to, held a consultation and decided to appeal to Speaker Cannon of the House for advice. We told Speaker Cannon our troubles.

"'You might have known the damned scoundrel would have gone back on you', was the opening remark of the picturesque veteran of the House of Representatives who wheeled in his chair and shouted to a messenger, 'Boy, go get Vreeland and bring him in here.' When the messenger returned with Representative Vreeland of New York, Uncle Joe enlightened the Representative about like this:

"' Mr. Vreeland, these are my boys and the boys who do the banking business of this country and the ones we ought to listen to in making up our banking legislation. I know every one of these fellows and they know what we need. I want you to get together with them, find out what they want, and then you and Senator Aldrich get this thing to working.'"

And this was the manner in which the forerunner of the Federal Reserve Act received its name, the Aldrich-Vreeland Bill. It was "Uncle Joe" Cannon who started Representative Vreeland on his work which was afterward merged with the result of Senator Aldrich's efforts. This bill was in effect only an emergency currency bill and as such it furnished relief to the banks of Kansas City as well as elsewhere during the stress of crop moving in 1913 and 1914. Currency resulting from this bill was commonly called "Aldrich currency" or "Aldrich-Vreeland currency."

In March, 1908, Congress appointed the national monetary commission of nine members from the House and nine from the Senate whose duties were to investigate the banking systems of various countries and report to Congress with recommendations for a new banking law for this country. Financial events subsequent to that date were not of considerable importance. This commission made its report January 19, 1912, the report proposing to incorporate the National Reserve Association of the United States. The following April the sub-committee of the House banking and currency committee, with Representative Carter Glass of Virginia as its Chairman, began the framing of the future banking law, the result of which is the present Federal Reserve Act. The framing of this Act constituted in effect the re-framing of the Aldrich-Vreeland bill and the writing into it of financial ideas and plans gleaned from American and European sources by the monetary commission. In the meantime the "Pujo Committee" of the house had investigated the methods of banking in the United States during 1911 and 1912 and also made a report.

The succeeding events pertaining to the enactment of a new financial law can be grasped from the following chronology in brief:

1913

June 18, Committee Reported the proposed bill to the House.
July 7, The House began consideration of the bill.
September (early), Bill reported to the House Democratic caucus.
September 9, Bill ratified by the caucus and formally reported to the House.
September 10, Debate begun in the House.
September 18, Bill passed by the House and reported to the Senate.
October 25, Senate hearings ended and bill sent to committee.
December 1, Committee reported bill to the Senate and debate was begun.
December 19, Senate sent bill to conference.
December 22, Reported out of conference. Passed by House. Vote - Yeas 298, Nays 60.
December 23, Passed in Senate. Vote - Yeas 43, Nays 25. Act signed by President Woodrow Wilson.

As if paving the way for the acceptability of the new financial act that was then in process of formation, events locally in the Kansas City banking territory during the two years prior to the enactment of the banking law were such as to thoroughly convince any banker of the need for the Federal Reserve Act. ~~Let us~~ consider first the events of 1913. The late summer and fall of that year ~~saw~~ presented the climax of the ever increasing difficulty encountered in moving the crops in this western territory. Funds were not available from banks to start the crop movement and this situation automatically tightened finance in both the East and West. Times were hard and deposits resultingly low and rapidly shrinking.

As a temporary preventive measure the Treasury issued on August 18, 1913, a department circular No. 18 authorizing the deposit of Government funds in national banks located in such of the principal cities of the country as the Secretary of the Treasury might designate. Since it was impracticable for the Government to extend deposits to smaller towns and cities, the depositaries selected were expected to function as mediums of distribution in furnishing funds to the localities in need of them for transporting and marketing the crops. As security for such deposits the depositaries placed with the Treasury United States Government bonds of any issue, equal in amount to at least 10% of the Treasury deposit. The remaining 90% of the deposit was secured either by high class state or municipal bonds approved by the Secretary and accepted at 75% of their market value, or by prime commercial or business paper approved by the bank offering it, and accepted at 75% of its face value.

It will be seen that the application of the above temporary measure, at least insofar as the offering of commercial paper as collateral for Government deposits was concerned was in reality putting into practice the primary phase of the rediscount privileges contained in the newly signed Federal Reserve Act. This tryout of the relief measure was highly successful and saved the country from what might have been a very severe stringency during the crop-moving period. It was used locally during the winter of 1913 and throughout the year of 1914 up until the opening of the Federal Reserve Bank of Kansas City. It was at first timed to end when the Federal Reserve banks should open but later was extended to June 30, 1915 in order to provide for any possible failure of the Federal Reserve Act to meet requirements. This relief measure was carried on through the Kansas City Clearing House Association and a securities committee of five local bankers with a Government representative. The members of the first committee were as follows:

E. F. Swinney, Presidenf of the First National Bank.
P. W. Goebel, President of the Commercial Natl. Bank, Kansas City, Kansas and also President of the Kansas City Clearing House Association.
F. P. Neal, Chairman of the Board, Southwest National Bank of Commerce.
Geo. S. Hovey, President of the Interstate National Bank.
Wm. T. Kemper, President of the Commerce Trust Company.
Geo. Stevenson, Jr., Government Representative.

So successful was the relief work of the securities committee in 1913 that the Treasury varied this measure and enlarged its scope in 1914. On August 4 of that year was amended the Act originally approved May 30, 1908 and subsequently amended by an Act of December 23, 1913, the outcome of these Acts and amendments resolving into a series of what were called national currency associations. The association affecting Kansas City was called "The National Currency Association of Kansas City and St. Joseph." The territory covered by this association embraced the then natural banking territory of both Kansas City and St. Joseph. The work was carried on by the clearing house associations of Kansas City and St. Joseph under the direction of an Executive Committee composed of the following:

J. F. Downing, President of the New England National Bank.
C.S. Jobes, President of the Security National Bank.
Geo. S. Hovey, President of the Interstate National Bank.
J. G. Schneider, President of the German-American (later American National) Bank of St. Joseph.
P. W. Goebel, President of the Commercial National Bank.
G. M. Smith, President of the Commonwealth National Bank.

An indication of the tensity of the financial situation in Kansas City during the latter part of 1914 is found in the minutes of the Kansas City Clearing House Association under date of August 3. On that date the Clearing House Association adopted two notable resolutions. The first of these authorized the issuance of "Clearing House certificates" for the settling of balances each day between the members of the association, such certificates to be accepted by all creditor banks and given by all debtor banks at the close of the day's business. The certificates were issued only on collateral and at 75% of the value of thé collateral. They bore interest at 8% per annum and were redeemable by the bank to whom issued whenever that bank chose to redeem them. It was stipulated that a clearing house committee should pass upon collateral and that any loss arising from the issue of c ertificates should be borne by the signer of the resolution.

The other resolution that is now a memorable one demanded a restriction of the amount of cash to be paid out by banks. So necessary was the conservation of cash that clearing house members signed an agreement that each bank should restrict its payment of currency over its counters to a maximum of $100.00 a day to any one person and that the aggregate payments to any one person should not exceed $300.00 per week except for payrolls and for the further exception that where a customer deposited only currency a special account covering such deposit might be made and if deemed advisable a like amount of c urrency might be paid to said customer. The clearing house banks further agreed to make shipments of currency to the country only in special or exceptional cases and report daily the shipments made. The state of the public mind during that trying time was so inflammable that the final clause of this resolution bound the members of the association to an agfeement that no information should be given to the public press except by the President of the Clearing House Association.

The foregoing resolutions were adopted on Sunday, August 3. But before it became necessary to enact them the first shipment of the "Aldrich

the following Thursday
currency" was received/by Mr. Stevenson, the Government Representative, and the day was saved. The resolutions were allowed to stand as emergency measures.

Thus the maxim "It is an ill wind that blows no good" might have been intended to apply to the origin of the Federal Reserve Act, so applicable is it to the panic of 1907 as a factor in establishing a Federal Reserve System and indirectly the Federal Reserve Bank of Kansas City.

No history of the Federal Reserve Act is complete or just without credit being given Senator Robert L. Owen of Oklahoma for his untiring efforts to bring about most of the important features embraced in the measure. These efforts began soon after the panic of 1893 when Mr. Owen was President of the First National Bank of Muskogee, which bank he established in 1890. Having sustained enormous losses in deposits, this bank furnished Mr. Owen with an object lesson in finance and through his political party he began in 1896 an attempt to put into the national platform measures designed to prevent panics. He failed in this but two years later went to Europe and studied the financial subject in London, Paris and Berlin. Subsequently as a member of Congress, Mr. Owen presented proposals embracing what he believed to be the most practicable points of European finance for the American situation.

As Chairman of the Senate Committee on banking and currency, Senator Owen untiringly fought for the corrective financial principles in which he believed, and it is fitting to state here that much of the success of the Federal Reserve Act is doubtless due to this Senator who was formerly a banker in what later became the Tenth Federal Reserve District.

KANSAS CITY INTO THE FIGHT

No sooner had President Wilson signed the Federal Reserve Act on December 23, 1913, than Clearing House Associations in every city of importance in the United States appointed themselves "auxiliary committees" to assist in carrying out the provisions of Section 2 of the Act. Section 2 provided that -

> "As soon as practicable the Secretary of the Treasury, the Secretary of Agriculture and the Comptroller of the Currency, acting as the 'reserve bank organization committee', shall designate not less than eight nor more than twelve cities to be known as Federal Reserve cities, and shall divide the continental United States, excluding Alaska, into districts, each district to contain only one of such Federal Reserve cities. The determination of said organization committee shall not be subject to review except by the Federal Reserve Board when organized: Provided, That the districts shall be apportioned with due regard to the convenience and customary course of business and shall not necessarily be coterminous with any state or states, etc."

Many cities were in the fight for the Federal Reserve Bank even before the publication of the Act, for they had been well advised by their representatives in Congress as to the approximate wording of the organization section of the Act.

So early was the start of numerous eastern cities in the fight for recognition as reserve centers that there was prevalent early in January a feeling throughout the country that Kansas City would not get one of the banks. So strong was this feeling as it was expressed in the East and repeated to the ears of Kansas Citians that a spirit of keen determination took hold of the Kansas City bankers and made their fight for recognition a strenuous and a successful one.

The central reserve centers at that time were New York, Chicago and St. Louis. It was virtually certain that those three cities would become Fedderal Reserve cities. So close to St. Louis was Kansas City that it was generally believed the latter city should attempt to become a branch of one of the Federal Reserve Banks which would undoubtedly be located at St. Louis. With this arrangement in mind a committee from the St. Louis Clearing House Association came to Kansas City directly after the signing of the Federal Reserve Act and held a session with a special committee of the Kansas City Clearing House Association with a view to enlisting Kansas Citians' aid in behalf of St. Louis, the latter city to compensate by assuring Kansas City of the location of a branch bank. The committee from the Kansas City Clearing House was as follows:

E. F. Swinney, President First National Bank.
P. W. Goebel, President Kansas City Clearing House.
J. F. Downing, President New England National Bank.
F. P. Neal, President Southwest National Bank.
W.T. Kemper, President Commerce Trust Company.

The St. Louis bankers made a strong plea but failed to convince the Kansas City men that Kansas City was not entitled to one of the twelve Federal Reserve Banks. The attitude of the committee was, "We have nothing to lose and something to gain."

Senator James A. Reed was also prejudised against the chances of Kansas City until he held a conference with the committee at their request. This conference lasted all one Sunday forenoon and at its close the junior Senator from Missouri was himself convinced that Kansas City was logically suited for a bank separate from the one that might be located at St. Louis. The senior Senator, Joel E. Stone, was ill at his home in St. Louis and was unable to take an active part in the matter, but Senator Reed returned to Washington a firm believer in Kansas City as a Federal Reserve city, and as a result activities began upon his arrival in

Congress.

Early in January the press announced an itinerary arranged by the newly appointed Federal Reserve Organization Committee comprised of W. G. McAdoo, Secrtary of the Treasury, D. F. Houston, Secretary of Agriculture, and John Skelton Williams, Comptroller of the Currency. This itinerary included most of the important cities of the country except Kansas City and the first skirmish in the fight for Kansas City was to obtain a promise from the Committee to make at least a day's stop in Kansas City in order to give an opportunity for the Kansas City bankers to present their case. Principally through courtesy, Secretary McAdoo finally wired that the Committee would spend part of Friday, January 23, in Kansas City. On that day he and Secretary Houston arrived and gave the day over to a hearing in the Federal court rooms. So well had the case of Kansas City been prepared by the Clearing House Association that it has been said since that the two members of the organization committee who were in Kansas City completely changed their minds before the hearing ended. Arriving here prejudiced against Kansas City as a reserve bank center, they left virtually convinced that a bank should be located here.

The testimony introduced comprised a rather exhaustive treatment of the merits of greater Kansas City as a business and banking center, a compilation that grew in its impressiveness even upon the minds of the local mem who prepared the case. Members of the special committee often remarked afterward that the more they investigated Kansas City's merits over other cities contending for banks the more thorough was their conviction that they were right in their claim. In fact, F. P. Neal, Chairman of the special committee of Kansas Citians, made the following prophecy on that day to the cabinet members who conducted the hearing: "I must say to you now, Mr. McAdoo and Mr. Houston, that the bank which you will establish in Kansas City will prove to be one of the most important, useful and successful of the twelve Federal Reserve Banks."

Among those who testified at the hearing were Mr. Neal who minutely substantiated his argument that the territory contiguous to Kansas City demanded a primary bank instead of a branch bank; P. W. Goebel, President of the clearing house, who spoke in behalf of that organization ; M.L. McClure, of the Drumm Commission Company at the stock yards, on the live stock market; Leon Smith, of Smith-McCord-Townsend Dry Goods Company, who spoke for the Kansas City wholesale trade territory; Mr. E. L. Copeland, Treasurer of the Atchison, Topeka and Santa Fe Railway, who spoke on railroad facilities and clearings in Kansas City; Mr. R. A. Long, on the lumber markets; Mr. Frank G. Crowell on the Board of Trade and grain markets; Mr. J. F. Martin, President of the Kansas City Motor Car Dealers Association, on the motor car industry; Mr. H. G. Moore on the implement, vehicle and hardware business; Messrs. Frank Phillips and R. L. Beattie of Bartlesville on the oil industry; Mr. Charles Keith on the coal industry; Mr. J. B. Reynolds on insurance; Mr. Ben F. Johnson of Chickasha, Oklahoma, on the industrial and commercial developement; Mr. Louis H. Wulfekuhler of Leavenworth, Kansas, on accessibility of territory and Mr. E.E. Jacobs of Carthage, Missouri, on shipments from tributary points. In addition to the testimony of these witnesses inquiries were frequently directed by members of the committee to Mr. Goebel, Ex-Governor W. J. Bailey of Atchison, Kansas, and F. M. Bowman, of Topeka, Secretary of the Kansas Bankers Association.

As the Comptroller of the Currency did not accompany to Kansas City the other two members of the organization committee, the next problem lay in presenting the case to him. The Kansas City committee therefore printed a pamphlet containing their various arguments backed up by maps, charts and statistics which they had used at the hearing on January 23. This volume gave among other things figures on the Kansas City territory, the number of banks and their capital, surplus and deposits by states and parts of states, statements of banks of greater Kansas City as of January 5, 1914, the bank clearings of Kansas City since 1875 in five year periods and their comparison with clearings in other principal cities, also the bank transactions of the clearing house banks and many other business records made in Kansas City and its trade territory. The preface of this book was the following letter directed to the organization committee:

Kansas City, Mo., January 23, 1924.

To the Reserve Bank Organization Committee:

Gentlemen:- We believe it is the purpose of your honorable body, as well as the intent of the Federal Reserve Act, that the Federal Reserve banks, provided for under said Act, shall be established at points where they will best serve the contiguous territory.

Kansas City, with her splendid railroad facilities and excellent mail service, has become the natural market, financial and distributing center of the richest and most rapidly developing agricultural and mineral district of America.

A large number of the National banks, State banks and trust companies throughout this great territory have signified their intention of becoming members of a Federal Reserve bank at the earliest possible date, and have express- their desire to help in every way to make the plan a success. On behalf of these institutions, and the banks and trust companies of Greater Kansas City (Kansas City, Missouri, and Kansas City, Kansas), we respectfully submit, for your earnest consideration, the application of this city for the location of one of the Federal Reserve banks. We believe a Federal Reserve bank located here could serve more advantageously than if located in any other city; the district including the States of Kansas, Nebraska, New Mexico and Oklahoma, the western part of the State of Missouri, a small part of the States of Arkansas and Iowa, the northern part of the State of Texas and that part of the State of Colorado east of the Rockies. We are submitting herewith data which proves Kansas City's supremacy in this territory and which we hope will enable your honorable body to place its stamp of approval upon this application.

The Federal Reserve Bank of Kansas City, with the district as above outlined, would be a commanding institution, with ample capital and deposits to protect and properly care for the legitimate business needs of this district.

If any further information is desired, we will be glad to furnish it at your command.

Wishing your honorable committee success in the important work of organizing this great system of Federal Reserve banks, and assuring you of our most hearty support at all times, we are,

Sincerely yours,

The Associated Banks Of Greater Kansas City.

For the presentation of the case to Comptroller Williams the Kansas City Clearing House Association appointed a special committee comprised of W. T. Kemper, Jerome Thralls, manager of the clearing house, and F. P. Neal, instructing them to go to Washington and interview Mr. Williams and others who would be of service in obtaining the bank. This committee spent an eventful week in Washington. They succeeded in obtaining two interviews with Comptroller Williams. Their first reception in the Comptroller's office was so cool that one of the committee afterward remarked that he knew just how Commander Peary felt during his conquest in the North Pole. All the arguments they were enabled to advance appeared to have little effect upon the Treasury official and they virtually retired under fire from the first session.

Disappointed but not discouraged the committee sought out Senator Reed and Congressman W. P. Borland, Kansas City Representative in the House, for further advice and assistance. Although Senator Reed was not strictly an administration Democrat at that time he had, as a favor to Secretary McAdoo, interceded in behalf of Comptroller Williams when the Comptroller's first appointment was being held up in the Senate. This gave him an inroad to the Treasury officials on the Kansas City question. While Congressman Borland could not do much on account of the fact that the matter was chiefly a senatorial one, he was largely instrumental in obtaining for the committee a second interview with Comptroller Williams. Summing up their forces for the final attack, this committee moved up its heavy artillery and backed it up with machine gun fire that was so rapid it did not allow the Comptroller time to assert and propound his own theories. The result of this session was the winning over of John Skelton Williams so that the vote of the organization committee was unanimous in favor of placing a Federal Reserve Bank at Kansas City.

With the main point settled the next question that arose in the location problem was the matter of territory. The Kansas City district, as it was requested of the Organization committee, would have included the following territory: The western 14 counties ofArkansas, the eastern 33 counties of Colorado, the southwestern 17 counties of Iowa, all of Kansas, the western 45 counties of Missouri, all of Nebraska, New Mexico and Oklahoma, and 112 counties of Texas, comprising 522 counties in all.

Colonel House, the noted Texas politician who was at that time personal advisor of President Wilson, stepped into the location controversy at this point. Always loyal to his state, the Colonel was somewhat incensed at the attitude of the organization committee tending to overlook the state of Texas in the location of a primary bank. The portion of Texas which was sought by the Kansas City committee was actually a part of the Kansas City trade and banking territory. But through the intercession of Colonel House the committee decided to place a bank at Dallas. As means of getting territory for the Dallas bank, it decided to take away from Kansas City the 112 Texas counties, all of New Mexico but the north 10 counties and the 33 southern counties of Oklahoma.

The bankers in that part of Texas claimed by Kansas City had requested that they be incorporated in the Kansas City district. Also the Oklahoma bankers associations had made this request. But in the compromise Kansas City lost, besides the Texas and Arkansas counties, the south 33 counties of Oklahoma, 17 from New Mexico, 26 from Missouri, 17 from Iowa, and gained the western half of Colorado and all of the state of Wyoming whihh naturally contributed to Nebraska and Colorado. This left the Kansas City district with 355 counties instead of 522. A readjustment was later made in the state of Oklahoma by which Kansas City regained from Dallas 25 of the 33 Oklahoma counties leaving only the 8 southeastern counties of the state in the Dallas district. This is explained in a following chapter.

The campaign waged by the associated bankers of greater Kansas City for the location of the Federal Reserve Bank will always remain one of the most brilliant accomplishments of bankers in the history of American banking. The apparent misfortune of being situated in the same state with St. Louis, a city already destined to become a Federal Reserve center by virtue of former acquisition, was overcome and subsequent experience fully proved the wisdom in Mr. Neal's prophecy to Secretary McAdoo and Secretary Houston. The main argument of the campaign of facts was that the financial and trade advantage held by Kansas City in its trade territoty was so great that it demanded a primary bank rather than a branch bank.

The organization committee's announcement of the boundary of the Tenth Federal Reserve District was almost immediately the signal for a series of objections, complaints and recommendations made by the banks of several states within the district. These objections were soon concerted into actions taken by two factions in the district. First, numerous banks in southern Oklahoma who were included in the Dallas district by the first decision by the organization committee began to petition for transfer from the Dallas district to the Kansas City district. Their reasons were mainly that the territory was a part of the natural trade territory of Kansas City. Second, numerous banks in Nebraska and Wyoming contended that they should be placed in the Chicago district rather than in the Kansas City district. The Act provided that "The districts shall be apportioned with due regard to the convenience and customary course of business and shall not necessarily be coterminous with any state or states. The districts thus created MAY BE READJUSTED and new districts may from time to time be created by the Federal Reserve Board, not to exceed twelve in all." As the organization committee had already decided upon and named the twelve districts, the contentions of the bankers in these two factions within the Tenth District were for readjustment of districts.

On September 15, 1914, two months before the opening of the bank at Kansas City, a petition and brief were filed with the organization committee in behalf of the banks of southern Oklahoma who wished to be transferred from the Dallas district to the Kansas City district. The original division of line in Oklahoma entered the state on the west along the Canadian River then taking a zigzag course following the general direction of the river which formed the boundary between district ten and district eleven for a majority of the distance across the state. Banks situated in the Dallas district followed up the petition to the organization committee by making actual demonstrations of the inaccessibility of Dallas for their purposes as soon as the banks began operation. Wire transfers were largely instrumental in showing up an impracticable districting of those banks most of which were on direct lines to Kansas City. A conference of the southern Oklahoma banks was held in Oklahoma City.

On October 27 the Federal Reserve Bank of Dallas was notified that the petition and brief had been filed in behalf of the southern Oklahoma banks and was requested to designate a representative to appear in its behalf. On December 16 the petition and brief were mailed to Federal Reserve Agent Tenison at Dallas with the request that they be referred to the representative when designated. On December 26 permission was granted by the Federal Reserve Board to file a reply brief as late as January 27, 1918. The hearing was set for February 10, at which time the Board held that "All of the Oklahoma counties lying with the Dallas district with the exception of theeight southeastern counties of Oklahoma, which contributed to some extent to the Dallas district, should be transferred to the Kansas City district."

The following are the twenty-five Oklahoma counties that became after February 10 a part of the Tenth district:-

Beckham, Caddo, Carter, Comanche, Custer, Garvin, Grady, Greer, Harmon, Haskell, Hughes, Jackson, Jefferson, Kiowa, Latimer, Le Fore, Love, McClain, Murray, Pittsburg, Pontotoc, Roger Mills, Stephens, Tillman and Washita.

Omaha, which had made a strong plea for one of the Federal Reserve Banks at the outset of the organization committee's work, was the working center for a subsequent campaign intended to place Nebraska and Wyoming in the Chicago district on the contention that they were in a direct line with Chicago and preferred to do their banking business with that metropolis rather than with Kansas City.

On May 4 the Federal Reserve Board passed a resolution denying the petition of the Nebraska and Wyoming banks. This was the final action of the Board which determined the boundary of the Tenth district which remained in operation during the first years of the bank's existence.

When in June, 1915, the transfer of the southern Oklahoma counties from the Dallas district to the Kansas City district was authorized Governor VanZandt of Dallas visited the Kansas City officers and conferred on methods of transferring the capital, reserves and rediscounts of those banks concerned in the change of territory. A committee of Messrs. Sawyer, Wilson and Ramsay was appointed to visit Dallas, inspect the loans that had been made to the Oklahoma bank and settle upon a method of transferring the accounts in such manner as to cause the Dallas bank as little expense as possible. In effecting the transfer the Kansas City bank paid the insurance and postage on gold certificates from Dallas to the sub-treasury at St. Louis covering 80% of the paid in capital and reserves of the member banks which were transferred. Of the remaining 20%, exchange at par or at the least rate obtainable was accepted and the Kansas City bank also accepted a portion of balances held by the Southwest National Bank of Commerce in Kansas City to the credit of the Federal Reserve Bank of Dallas.

FIRST DIRECTORS MEETING

The three Class A and the three Class B directors having been elected by the banks of these classes and the three Class C directors having been appointed by the Federal Reserve Board at Washington, the first meeting of these directors was held at the call of Chairman J. Z. Miller, Jr., in the directors' rooms of the Commerce Trust Company on Friday, October 16, 1914, at 2:30 o'clock. At this meeting all the directors except C.E. Burnham of Norfolk, Nebraska, were present.

The first matter of business was the discussion of a list of questions that had been submitted by the Federal Reserve Board concerning the opening of the bank.

While these questions and their answers need not be repeated here, the decisions were in brief as follows: That the earliest date the Kansas City bank would be ready to open was November 15; that the personnel and size of the bank's executive Committee should be at least four instead of three; that temporary quarters were available in the Commerce Building until permanent quarters were definitely decided upon; that the staff of the bank should consist of the Chairman, Vice-Chairman, Governor, Cashier and one other officer to be selected; that all functions of the bank contemplated by the Act, including the clearing of checks, were to begin on the opening day; that crop movements in the Tenth District should furnish sufficient funds for liquidating all reserves without being compelled to convert emergency currency into Federal Reserve Notes.

It was decided, upon the motion of Director Gordon Jones and seconded by Director R. H. Malone, that each member of the Board be considered a member of a committee to attend an announced meeting in Washington beginning October 20.

The remainder of the session was devoted chiefly to the selection of a Governor and the determination of the amount of his salary. This discussion presents certain facts so enlightening in their relation to the bank's early administration that it is fitting to quote occasional extracts from it.

It was explained by Chairman Miller that there could not be an election of a Governor but merely a selection by the directors to be confirmed by the Federal Reserve Board. But as the Federal Reserve Board had requested that the "Governor and a committee of three" were invited to attend a meeting in Washington, it was preferable to choose the Governor at this meeting. At the opening of the question of Governor, Director Byrne raised the question as to the amount of salary paid. Following are extracts from the discussions that ensued:

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Contained in other
volume

The Chairman: The Government fixes the salary of the Chairman; and the Vice-Chairman, the Governor and all other officers are fixed by us, subject, however, to the approval of the Federal Reserve Board.

Mr. Byrne: What Salary shall we fix?

The Chairman: That is to be decided. The salary fixed for the Chairman is $7,500.00 per annum.

Mr. Jones: The Salary of this Board? What's the salary of the New York Branch?

The Chairman: I think $15,000.00.

Mr. Bailey: And what is the salary of the Governor there?

Mr. Ramsay: $25,000.00.

The Chairman: Yes, Sir; Mr. Strong quit a $50,000.00 salary, and it was said that he made about $80,000 more. That is the situation of that bank. I did not know what the salary of my position was to be when I was in Washington,- only learned it when I got back and received the letter which they had mailed to me before I left there. In fact, I asked them two or three times about the matter, but could not get any satisfaction.

Mr. Bailey: I think this Board ought to ask the Federal Reserve Board to pay the Chairman of this bank $10,000.00 at least.

Mr. McClure: So do I.

Mr. Malone: So do I.

Mr. Byrne: I think so too.

The Chairman: Gentlemen, I will just say this: I did not ask for this place,- had no more idea of being appointed to this position than of going to China. I was on my ranch in Texas, and I received over a 'phone wire stretched along oldpoles down there a message from Mr. Kemper saying that Mr. Swinney had received a telegram from Washington asking whether or not I would be a suitable person to appoint as Chairman, and whether I would accept. I did not get the telegram for two or three days. Meanwhile, Mr. Kemper took the liberty of saying to Mr. Swinney that I would accept. I went down to Washington, that is, I started, within two or three hours after receipt of that second telegram in accordance with a call over another wire, and Mr. Ramsay and I stayed there a part of two days,- most of one day and all of the other. We talked with different Reserve Board members and endeavored to get a general outline and just what the duties of the chairmanship would be, and they had a great deal to say on that subject. I asked about the salary the chairman would get. Mr. Delano gave me a typewritten memorandum he had prepared for the purpose of sending out to certain people that were under consideration and about to be appointed, stating about what the duties would be and about the salary. I read that while in Washington, and it stated the salaries would be from $8,000 to $12,000. I thought they would make it about $10,000.00 here, but when I got home I found they had made it $7,500. **

Mr. Jones: Mr. Chairman, I think every one appreciates the sacrifice you have made, and I offer the motion that the Federal Reserve Board be requested to agree to a salary of $10,000 for each of the Chairman and the Governor of this bank. I doubt if we can get a qualified man for Governor without paying that much.

The Chairman: I would make the suggestion that you do not put this in the shape of a motion. I do not think it would accomplish the purpose. I am telling you all this only to show you that the Government is asking the services of people who will enter its service with the general understanding that they are actuated by patriotic motives and are willing to do something for their country. I do not believe it is the time to bring the subject up at all. I want to go through with this and I do not want to mar my incumbency with any suggestion at this time. A little later on if the thing comes out rosy and we get ourselves on a good paying basis, it might be touched.

Mr. Jones: You would accept it, would you not?

The Chairman: I am not going to suggest it myself, and I will not let my friends suggest it if I can prevent.

Mr. Jones: I know we were all disappointed in your salary .

The Chairman: As to the salary of the Governor, I told the Board,- Mr. Ramsay was present at the time,- I told the Board that regardless of the salary they fixed for the Chairman that I would not feel it was quite the fair thing to pay the Governor of this bank a larger salary than that paid to the Chairman, to myself. I did not know of any man in this town who would take the place at all. **

Mr. Byrne: I am confident we all appreciate the sacrifice you have made, and there is not any one here who will not back you up in the undertaking you have started. We know your attitude and your sentiments on the subject,- and I mean just what I say, we will all back you up.

The Chairman: That's very nice of you.

Mr. Byrne: I do not think we should embarrass you, after you have accepted the position regardless of salary, by making recommendations to the Reserve Board at this time. I believe that this bank by the harmony and strength of this Board is going to be very successful. We may not be able to keep it within the aim of the people,- we must keep it as a truly reserve bank. I believe that is the sentiment of every man on the Board.***

The Chairman: I just made those remarks about the salary because I don't think I could feel just right with anybody who might accept that place drawing a larger salary than I draw. If I am making a sacrifice he, too, should make a sacrifice; otherwise, he would not quite measure up to the standard the Government is demanding.

Mr. Bailey: I think the Federal Board is making a serious mistake in handicapping this Board. I have been and am favorable to the selection of Mr. Goebel as Governor, but he will not accept the position for less than $10,000. I have known him for years; I know his ability, and I know the bank would be safe with him as Governor. He will not take it at $7,500 a year. He has told me to say that to this Board. I think this Board should try to exercise its influence to raise the salary of Mr. Miller to $10,000, so we could secure a man of high order as Governor.**************************************
I appreciate all Mr. Miller has said, and concur in what Mr. Byrne has said relative to our working in harmony; and no man will work harder for the success of the bank than will I. But it does seem to me that if we will use our influence with that Board at Washington we can adjust this thing.*****************

Mr. Wilson: I agree with nearly all that has been said on this subject. The first talk I had with Mr. Miller I said right off the reel that I thought it was unwise. On the other hand, I do sympathize fully with what Mr. Miller has said regarding the sacrifices he has made, and I feel like respecting his wishes relative to the Governor's salary not being greater than his own,

Mr. Malone: When I went before the Board in Washington, I was there in the room when these two gentlemen came through the room and were talking. I did not know they were members of the Kansas City Board, so I went in with the Cleveland folks. The Board asked them what was about the price the presidents were getting in banks in Cleveland, and I think they said from $12,000 to $15,000,- thought one was getting more but did not know. They asked them what they could get one for, and they presumed "So-and-So" would go for $12,000. And the Board said 'they ought to work for us for less; "We want some one to work for patriotism and the honor and good of the Government rather than for financial compensation." And those Cleveland men went away with the thought of getting this party for $8,000. They all seemed to be united and agreed that some one man was the man. I think it was Mr. Warburg who said, "After you have talked to him can you persuade him to come down here and let us talk to him." And they went away with that idea in mind. The impression left on me was honor rather than compensation.

Mr. McClure: How would it do for us to go on record as being in favor of Mr.

Goebel providing the salary proposition could be arranged satisfactorily, and let the Board at Washington try to help us in the matter?

The Chairman: Mr. McClure, I rather think that question is not so much between Washington and the Board here as it would be between this Board and the Chairman. The Chairman's salary is fixed and they are not going to change it. I am presenting that question to you. You might, possibly, get by the Washington Board, but I hardly think it possible or at all likely. I do not hardly see how I could maintain and keep my own self-respect and let Mr. Goebel, or anybody else in this town, come right in and perform a less service at a greater rate of compensation.

Mr. McClure: I believe the Board at Washington would concede that point to you.

The Chairman: The question has been thoroughly tested out. That question should not be presented to the Board again. It has been tested out not by me alone, but Mr. J. W. Perry happened to be in Washington the day we were there and he had a conference with two or three of the Board. He told them he was surprised that I would accept the place, and the question of salary was discussed with him and they reiterated just what they had said to me,- that they were not buying anybody's time for its commercial value; that everybody had to sacrifice something for the good of the country. Senator Owen was here yesterday and dropped in to see me. I went over this same thing with him, and he told me the matter had been pretty well discussed out and that he himself, long before he knew my name would be presented as Chairman, had informed the Federal Reserve Board the salary here should be at least $10,000.

Mr. Byrne: If Mr. Miller feels that way I don't see why we should ask him to stultify himself..........

The Chairman: It is a matter largely of sustaining the dignity of the bank and its officers.

Mr. Malone: Mr. Sawyer has been suggested. He is a candidate and I would suggest that we talk to him and bring him before us.

Mr. Bailey: Mr. Goebel said to me that he would like to come before the Board and present his ideas. I don't know whether that would be proper or not. Is Mr. Sawyer in town?

The Chairman: I think not.

Mr. McClure: Why could we not adjourn until morning and have Mr. Goebel or Mr. Sawyer come in?

Mr. Jones: Could we get Mr. Sawyer to come?

The Chairman: I don't know.

Mr. Bailey: If this Board agrees that not over $7,500 is to be paid to the Governor, that eliminates Mr. Goebel,- that's the question to settle right now.

The Chairman? Well, gentlemen, let's get it before the house. What do you think about it?

Mr. Jones: I made a motion but it was not seconded.

Mr. Bailey: I say/if that is the expression of this Board it eliminates Mr. Gobel.

Mr. Malone: I suggest that the secretary distribute the ballots and that we proceed to vote,- or I will make it a motion if you prefer it.

The Chairman: I think that's better. The question is, What will you pay the Governor?

Mr. Jones: I moved some time ago that the committee going to Washington request the Board......

The Chairman: No, no,- not that.

Mr. Byrne: I move that the salary limit of the Governor be limited to $7,500 for the present.

The Chairman: All in favor of the motion you have just heard will say aye... contrary no. The motion is carried. (Messrs. Bailey, McClure and Jones voted in the negative.)

Mr. Jones: I vote 'no' but I want to qualify that vote. I will not vote for the Governor to receive a greater salary than Mr. Miller; and yet it is not fair to us for the Federal Board to say that we shall not employ whom we please, within reason.

Mr. McClure: It's no reflection on Mr. Miller the way I voted.

The Chairman: I'm into this now up to my eyes and I'm going through with it.

Mr. Bailey: And we will support you all the time.

The Chairman: Now then, gentlemen, since that eliminates Mr. Goebel,- and without reflection upon Mr. Goebel and maybe to the detriment of the bank,- since that is settled, have you a candidate to suggest? We have one other candidate, as you have been advised. Mr. Bailey, do you know Mr. Sawyer?

Mr. Bailey: Yes, Sir. He's a clean, conscientious man; he's Bank Commissioner of Kansas, and has made a good Commissioner. The resolution of this Board has eliminated Mr. Goebel. I think it is a mistake; but in view of the fact that he is eliminated, I move that Mr. Charles H. Sawyer be elected the Governor of this bank.

Mr. Malone: I second the motion.

The Chairman: You have limited the salary to $7,500. I do not know Mr. Sawyer,- know Mr. Goebel better,- and I want Mr. Ramsay to bear me out that Mr. Goebel has had no one from here or away from here who has given him a higher compliment and commendation than I have.

Mr. Ramsay: That's right.

The Chairman: Has Mr. Sawyer indicated that he would accept the place at $7,500?

Mr. Jones: What is he getting now?

Mr. Bailey: Nothing,--- $2,500.

Mr. McClure: I will say that I have a telegram from parties at Wichita asking me to support Mr. Sawyer.

The Chairman: Do you know Mr. Sawyer, Mr. Jones?

Mr. Jones: By reputation, very well,- but I do feel that for the larger banks Mr. Goebel was the first choice.

Mr. Bailey: I will say this: Mr. Sawyer's name had not been suggested, but I have answered one or two telegrams in his behalf, have wired Washington, and have visited every bank in Kansas City in his behalf.

The Chairman: I understand he has given Kansas a very efficient service. I will say this: One of the things the Washington Board indicated was that we,- each director and every official in the bank,- should endeavor to the best of his ability to induce the state banks to come in. Now along those lines, I think Mr. Sawyer would serve us very well. Half the business this bank will get is going to come from Kansas. The other states will continue to do their business with Omaha and Denver,- only the surplus will come down here,- half of the state banks, I mean.

Mr. Wilson: I would like very much to have seen Mr. Goebel the Governor of this bank. I regard him very highly and have as much friendship for him as any man in Kansas City; but I don't think it would be doing justice to Mr. Miller to have elected him at a higher salary than the Chairman receives.

30-31-32-33

Mr. McClure:	Mr. Goebel has practically eliminated himself by the position he assumed.
Mr. Ramsay:	I am exactly like Mr. Wilson.
Mr. Bailey:	Mr. Sawyer will fill a different position than Mr. Goebel would have filled. Mr. Goebel is a natural executive officer.
Mr. Malone:	When he told us this morning that that eliminated him, I do not see that it was possible for us to do more than we have done. In every case whereI have talked, Mr. Sawyer has been the second choice.
The Chairman:	Any further remarks?
Mr. Wilson:	What is the question?
The Chairman:	Governor Bailey has nominated Mr. Sawyer.
Mr. Ramsay:	We agree that his name be submitted to the Board.
The Chairman:	Mr. Sawyer is a good man. All in favor of Mr. Sawyer make it known by saying "aye". Carried.

The vote which elected Mr. Sawyer as Governor closed a discussion on that point and the directors immediately took up the matter of electing a member to represent Kansas City on the advisory council. The first name mentioned was that of Mr. E. F. Swinney, President of the Fisst National Bank, and a man who had given his time and influence toward obtaining the bank for Kansas City. His name was placed in nomination by Director McClure and he was unanimously elected on the second ballot. The other candidates were J.C. Mitchell of Denver nominated by Director Jones and Luther Drake of Omaha nominated by Director Byrne. It was on motion by Director Bailey and others that the election of Mr. Swinney was made unanimous.

After a discussion on the subject of salary of the Vice-Chairman (Director Ramsay) it was moved by Director Jones that this salary be fixed at $6,000.00. The motion, which was seconded by Director Wilson, was put to a vote and carried.

The first meeting of the Board of Directors was adjourned at 5:45 subject to the call of the Chairman.

SECOND MEETING

At the second meeting of the directors held in the directors' rooms of the Commerce Trust Company on Saturday, October 31, 1914, all the directors were present. Governor Sawyer was absent. When the meeting convened at 10 o'clock in the morning it was decided to immediately adjourn in order to permit an inspection of buildings being considered as sites for the new Federal Reserve Bank's permanent quarters. There were under consideration the following locations: The Kansas City Southern Railway Building, northeast corner of Eleventh and Walnut streets; the United States & Mexican Trust Company location in the Bryant Building, southwest corner Eleventh Street and Grand avenue; the Fidelity Trust Company, northeast corner Ninth street and Grand avenue; the New York Life Insurance Building at Eighth and Wyandotte streets and the ground floor of the R. A. Long Building, northeast corner of Tenth street and Grand avenue. Prior to the meeting of October 31 all the locations had been inspected except those of the Fidelity Trust Company and the R. A. Long Building, and the directors inspected these buildings during their adjournment.

After re-convening the first matter taken up was the election of a temporary secretary, Chairman Miller's secretary, Mr. Ritter, having kept the minutes of the previous meeting. On motion by Director Bailey, Director L.A. Wilson was made temporary secretary.

After full and exhaustive discussions involving the convenience of location, the opportunity of securing additional space when required, the annual rental, etc., upon motion ofDirector Malone, seconded by Director Burnham, the Board accepted the proposal by R. A. Long for use of the rooms on the ground floor of the R. A. Long Building for the new bank. Subsequently a contract of lease was entered into with R. A. Long for the ground floor (8500 square feet) of the Long Building for a period of five years at $7,500.00 per annum with the privilege of extending the lease fof five years longer at a rental of $12,000.00 per annum.

In the afternoon of this meeting a schedule of amounts for bonding employees of the bank was adopted as follows:

All officers of the bank.......	$25,000.00
Tellers........................	25,000.00
Discount Tellers...............	5,000.00
Bookkeepers....................	5,000.00
Other help not enumerated not less than	2,000.00

Power to modify and adjust this schedule was vested in the Executive Committee.

The by-laws of the bank having provided for an Executive Committee to be composed of the Governor, the Federal Reserve Agent and one or more directors from Classes A or B, upon motion of Director Bailey, seconded by Dierctor Burnham, Directors Jones and Wilson were selected as the two members of that committee to act with Chairman Miller and Governor Sawyer. The first duty of the Executive Committee was dedided to be the completing of "details for getting the bank ready for operation, to employ such help as necessary, to fix salaries and to sign any and all leases and contracts." The salary of the Cashier and Secretary, however, was fixed by the Directors of this meeting. It was decided that the compensation of Mr. Thralls in that position should be $6,000.00.

The compensation of directors was settled upon as follows:-
For attending a full meeting of the Board $25.00 per day and actual expenses; for serving upon the Executive Committee where the full time of Directors is required $20.00 per day and expenses; for attending the meeting of the Executive Committee where an hour or two are consumed $5.00.

After authorizing Secretary and Cashier Thralls as a representative of theExecutive Committee of the Board to go to Washington to attend a meeting for the purpose of providing uniform supplies for banks, the second meeting of the directors was adjourned.

So important has grown the work of the Executive Committee of the bank that it is well to note the powers of this small group of men who represent the directors. The Executive Committee as constituted at this early meeting was composed of theGovernor, the Federal Reserve Agent and "one or more directors." At the meeting of August 12, 1915, an amendment changed this ruling so that only one director was provided for and also made it possible in the absence of the Federal Reserge Agent for the Deputy Agent to act in his place and for the Cashier to act in the place of the Governorin case of his absence. The ruling was also made that at no meeting of theExecutive Committee should the Agent and the Deputy Agent act at the same time or theGovernor or Cashier act at the same time. A subsequent amendment was made, however, on June 22, 1916, by which the Federal Reserve Agent and the Deputy might sit in the Executive Committee at the same time. The powers of the Executive Committee were designated as follows:-

(a) To pass upon all commercial paper submitted for discount.
(b) To initiate and conduct open market transactions.
(c) To recommend to the Board of Directors from time to time changes in the discount rate.
(d) To buy and sell securities.
(e) To apply for and provide for the security of such Federal Reserve Notes as may, in the judgment of the committee or of the Board, be necessary for the general requirements of the bank.
(f) To employ or to delegate to officers of the bank authority to employ clerks and other subordinates, and to define their duties, and to fix their compensations.
(g) To approve bonds furnished by the officers and employees of the bank and to provide for their custody.
(h) In general, to conduct the business of the bank, subject to the supervision and control of the Board of Directors.

At a meeting on January 14 of the following year paragraph "6" was amended to read "to fix from time to time changes in the discount rate, and to put same into operation on receipt of approval of the Federal Reserve Board."

The importance of selecting able and experienced men for directors can readily be seen in the fact that each director has an opportunity to serve his share of time on the Executive Committee which, in the light of the important powers vested in it, forms the vital influence of the bank.

At the outset of the election of a Cashier it developed that the directors were divided between two men; one of them himself a director, the other, Mr. Jerome Thralls who was at that time manager of the Kansas City clearing house. Mr. Thralls was fitted by experience for an excellent secretary but he desired the position of Cashier of the new bank. The principal speech in behalf of Mr. Thralls for Cashier was made by Director Bailey who said, "I shall support Mr. Thralls for Cashier, and that for the reason that nearly every bank in town is supporting him for that position and expects him to have it. I feel that this bank must court the favor of the banks of Kansas City. They did not get their first choice for Governor and I believe it would be a mistake to ignore their preference in the matter of Cashier. I move that Mr. Thralls be made Secretary and Cashier."

The Chairman at this point mentioned the fact that Director Wilson had been mentioned and discussed for the position of Cashier. When his name was brought up Director Wilson made a talk outlining his position with relation to the obligations he felt due from him to the bankers of Oklahoma who elected him Director of the bank. He declared his allegiance to the Oklahoma bankers and disclaimed his having sought the office. After requesting that if electing him Cashier would interfere with his obligation to the Oklahoma bankers he wished to be eliminated from the consideration, Mr. Wilson retired and the discussion was continued. Chairman Miller explained that when Director Wilson's name was first proposed as Cashier he, the Chairman, requested the officials in Washington if there was anything in the law to prevent a director from becoming an official of the bank. He added that to date he had received no advices.

Finally Director Burnham asked if it were not possible to make Mr. Wilson a tenative proposition. Director Jones said: "I doubt the wisdom of making Mr. Wilson a tenative proposition; Mr. Thralls is the choice of the bankers of Kansas City; they have asked that Mr. Thralls be made Cashier. Mr. Thralls can fill a place that Mr. Wilson cannot fill.

Director Burnham: "I was not making this with any idea of suggesting Mr. Wilson for Cashier or Secretary. I had in mind the position of Vice-Governor."

Director Bailey: "I think Mr. Wilson, as the Chairman has said, is just the man to go out and educate the bankers, but I do most earnestly move the selection of Mr. Thralls as Secretary and Cashier."

Director Burnham: "I second that motion."

The Chairman contended that the duties of Cashier and Secretary were not similar, that each position had its own functions, and that electing Mr. Thralls Cashier would be in effect putting an expert Secretary into the position of an executive instead of a secretary. After stating further that he believed Director Wilson would accept the cashiership, and that he would measure up to the full importance and responsibility of that position, the Chairman put the motion that was before the Board. The vote resulted in the election of Mr. Thralls as Cashier and Secretary.

The session which determined upon the R. A.Long Buidding as the site of the new bank also appointed Chairman Miller a committee of one on the organization of a working force for the new institution. The first official act of Chairman Miller following this meeting was the selection of room number in the Commerce Building as temporary quarters of the organization. The Chairman's indirect organisation work, however, had already begun for on October 8, the day following the Chairman's appointment as director by the Federal Reserve Board, the Kansas City business men approached him with the name of a young man who was, in the words of the business men, "Worth $500.00 a month as a secretary but would work for $150.00." A few days later R. P.Ritter, the young man who had been recommended, was put to work by the Chairman. Thus the first employe of the Federal Reserve Bank antedated the opening of the bank more than one month and helped to perfect the organization in the temporary quarters. Mr. Ritter served through the early existence of the bank until August 20, 1916, when illness confined him to his bed. After several months of sickness he died on January 15, 1917, at his home in Kansas City.

As it is the purpose of this work to treat of coincidences as well as facts it is proper at this time to relate the incident of the employing of James Buchanan, Jr., who was the second employee of the institution. Mr. Buchanan, a stalwart, healthy youth of about eighteen years, was in Kansas City seeking employment. He learned of the contemplated opening of the Federal Reserve Bank and sought out Chairman Miller at his office in the Commerce Building. The Chairman was accustomed to promptly forming opinions of young men and had about determined to risk employing this total stranger in some clerical position. "Where is your home young man," he asked and was told he had come from California, Missouri. "Have you a relative in that part of the state named Charles Buchanan?" "That's my Uncle Charlie." "Young man you have a job," was Mr. Miller's immediate reply. In explaining the incident later the Chairman recounted how he was in St. Louis University some thirty years before and he and Charles Buchanan were rivals for the honor of high grades and that both finished with the same final grades and the same number of honor merits.

"The first difference seemed to be," said Mr. Miller in recounting the college days, "that Charlie Buchanan never seemed to have to study his lessions while I used most of the recess periods, play hours and holidays in getting mine and that I couldn't for the life of me see why I couldn't surpass him with the amount of work I was doing."

James Buchanan after a few years in the bank finally went to Washington as a Federal Reserve Bank examinar and at the time this is written, 1921, he is second to only one man in the examining department.

There was almost immediate need for a stenographer in the temporary quarters in addition to the secretary and the clerk and so Miss Jennie Burris was employed a day or two later. The fourth employee, R. Emmett Condon, was hired as a clerk. Mr. Condon later was secretary to Colonel House, President Wilson's advbsor, and in 1921 entered the employ of the American Telegraph & Telephone Company in New York. The last helper employed in the temporary quarters was Miss Katherine Dalton, a stenographer who with the exception of nearly a year spent at the Drovers National Bank where she went as stenographer to Mr. Ramsay, has been in the continuous employ of the bank.

The following is a list of all the employees of the bank on the date of its opening, Monday, November 16, 1914, together with their positions and the salaries paid them at that time:

R.P. Ritter,	Secretary to the Chairman and temporary Secretary to the Board,	$150.00
James Buchanan,Jr.,	Clerk	60.00
Jennie Burris,	Stenographer	85.00
R. E. Condon,	Clerk	60.00
Katherine Dalton,	Stehographer	55.00
Chas. Ferguson,	Teller	166.67
Marguerite Klump,	Stenographer	55.00
E. D. McAllister,	Teller	100.00
Ruby Raine,	Stenographer	75.00
Cleo Umstead,	Stenographer	85.00
E. P. Tyner,	General Bookkeeper 11/14/14	115.00
Charles King,	Office Boy (started 11/24/14)	30.00
Wm. Gamble,	Porter	50.00
J.W. McBride,	Watchman	90.00
M. J. McNellis,	Auditor	208.34

It is a significant fact that, while there were only eleven directors and officers and fifteen employees when the bank opened, six of the former group are at this time, 1921, still connected with the institution whereas only four of the original employees now remain on the roll. They are: Miss Katherine Dalton, Secretary to Federal Reserve Agent Ramsay, E. P. Tyner, Assistant Cashier Charles King, who has advanced from office boy to bookkeeper, in charge of the Transit Department, and William Gamble, porter.

Beginning on Monday, November 2, the Executive Committee held continuous sessions throughout each day effecting the organization work of the new institution. This work comprised a variety of duties including innumerable conferences with business men, furniture salesmen, supply salesmen, bank officials and prospective employees; also trips of inspection and inquiry, a great amount of correspondence by letter and wire with the Federal Reserve Board and an endless amount of exhaustive discussions of letters pertaining to the opening of the bank. There was a great amount of urgent work to be done and temporary employees were hired to do this preliminary work. Form letters to banks in connection with the first payment of capital stock had to be formulated and also a general letter of announcement to member banks, telephone equipment and electrical burglar alarm system had to be installed. This alarm system was contracted for from the American Bank Protective Company of Minneapolis at a price of $1,615.00/

The first invoice of furniture was purchased from the Keith Furniture Company, The Schooley Stationery Company and the Burnap Stationery and Printing Company. This furniture consisted of six flat top desks 66x38 inches with revolving chairs, a directors' table 4½x14 feet and twenty-four directors' chairs. In addition to this the Burnett Company loaned a large amount of general office furniture and equipment for temporary use.

PREPARATION FOR OPENING

The ground floor of the R. A. Long Building at the time it was leased by the directors had as a part of the public lobby the marble floored facing the elevators area in the center of which was a fountain. This area extended about two-thirds of the distance toward the rear of the building. One of the first acts of the directors was to provide for the enclosing of this lobby into the bank's working rooms. This was done as a means of protection in the handling of the currency and securities of the bank.

As first arranged the space to the north of the main entrance to the building was for the use of the directors and the space to the south was used by the officers in the following order : The first room on the left was the Federal Reserve Agent's room, the next was that of the Deputy Agent, the one next was the credit bureau's room. Still to the north were the Governor's room and that of the Secretary-Cashier. Across the passage way from these was designated a correspondence room. As the work of the bank increased the directors' room was finally given up to the occupancy of the bank proper and the directors were given a meeting place on the floor of the Long Building.

Draw Lots for Terms

At a meeting of the directors held on November 9, it was unanimously agreed that the Class A and Class B directors should draw lots for the term of service of each. Of the Class A directors, Mr. Jones stated his anxiety to serve the three year term, explaining that he did not care to serve but one term but preferred to spend three years in the service of his constituents. It was pointed out by Director Bailey, however, that it was not the duty or the privilege of the directors to determine arbitrarily who should serve one year and who should serve three years. As a result of the drawing of lots Mr. Jones drew the one year term, Mr. Bailey two years and Mr. Burnham three years. It is incidental that Mr. Jones served but one year whereas Mr. Bailey and Mr. Burnham each succeeded themselves, the former having been twice elected as his own successor. Mr. Burnham was succeeded in the 1920 election by Mr. E. E. Mullaney of Hill City Kansas.

In the Class B drawing Mr. Byrne drew the one year term, Mr. McClure two years and Mr. Wilson three years. Mr. Byrne and Mr. McClure who, at this time are still directors of the bank, have each been three times elected as directors, of these times twice as their own successors. Mr. Wilson served his ~~three~~ 3 year term and was succeeded in the 1917 election by Mr. Harry W. Gibson of Muskogee, Oklahoma.

The Class C directors determined their length of terms at the meeting held - At this meeting it was suggested by Director Malone that it was possible to determine the length of terms af all three directors in this class by the ingenious manipulation of coins that required but one turn of these coins.

Duties of Officers

While the officers and new employees of the bank were busily engaged in preparing the permanent quarters and installing various systems during the first half of November the directors were far from idle. At a directors' meeting held on Tuesday, November 10, a committee comprised of Directors Byrbe, Miller and Jones appointed at the meeting on the previous day reported a schedule of officers' duties, a condensation of which follows:

> DEPUTY FEDERAL RESERVE AGENT - To have charge of special examinations of member banks, credit bureau of the bank, the statistical department and, jointly with the Federal Reserve Agent, to employ minor officials, clerks and other employes in the office and department of the Federal Reserve Agent and to purchase equipment for said department; and, with the Governor and any other executive officers selected by the Board, to purchase equipment and employ help throughout the operating department of the bank, subject to the approval of the Executive Committee.
>
> CASHIER - Aside from the Cashier's duties as prescribed in the by-laws he shall have personal supervision over the working force of the operating department subject to the supervision of the Governor.

The above were the only duties prescribed at that time for it was contemplated that additional rulings would have to be made after the bank had begun to operate.

Rules For Operating.

Decisions made at this meeting were to the effect that reserves received on the opening date should be either gold or lawful money and so far as clearing house functions of the bank were concerned it should undertake at the outset to collect only items of reserve cities within the Tenth District. It was also a unanimous decision that 7% was the lowest discount rate the Kansas City bank could consistently charge at the present and it so wired Governor C. S. Hamlin of the Federal Reserve Board. Before the bank opened, however, the directors believed a lower rate should be charged and decided upon charging 6% for notes and bills of a maturity not over thirty days and 6½% for a maturity exceeding thirty days. This was the rate upon which the bank began operation, but on December 7th a change was made whereby the rate became 6% for all maturities.

On December 15, 1914, the bank lowered its rate on bills of short maturity, settling upon 5% for less than thirty days and 5½% for maturities of over thirty days to sixty days, inclusive.

At this meeting the bank made application for membership in the Kansas City Clearing House Association on the same basis as the membership of the United States Postoffice.

Also during this meeting the Cashier was authorized to have made distinctive endorsing stamps for member banks and these were sentout subsequently and the cost charged to general expense.

Meetings of the Board were called for Thursday, Friday and Saturday, November 12, 13 and 14. ~~November 13 and Saturday 14~~ There were, however, no quorums on the 12th and 14th and at the meeting on the 13th only a few general topics were discussed, for the officers and the directors who were in Kansas City were exceedingly busy with the preparation of the bank for its opening.

OPENING DAY

The morning of Monday, November 16, 1914, found the ground floor of the R.A. Long Building in presentable appearance for the opening of what was destined to become one of the greatest of financial institutions. While it is true there were no vaults on that floor and the working force was both small and equipped for only a limited amount of operation, the offices and the diectors' room had the appearance of real banking offices. The payments of reserves and the subscriptions for stock had been received at the temporary offices on the second floor of the Commerce Building and had been counted there with the assistance of employees of the Commerce Trust Company. These payments and subscriptions were deposited in the vaults of the Commerce Trust Company and for several weeks after the opening of the new bank the money was kept in the Commerce Trust Company's vault.

On the opening day a large portion of the reserves paid in were in gold.

Reserves paid in during the opening day were #579,694.83

Just prior to the opening of the bank doors the following telegram was received from Secretary McAdoo:

"Washington, D.C., Nov., 16, 1914.

"Charles M. Sawyer,
Gov. Federal Reserve Bank,
Kansas City, Missouri.

Please accept my cordial congratulations upon the opening of the FederalReserve Bank of your district, and my sincere commendation upon the effective work you have done in preparing the bank for business in the short time allowed for the opening. I am sure that the Federal Reserve Banks will serve a great and beneficient purpose in the future of our country, and I am sure that this Department and the Federal Reserve Board count upon your loyal co-operation in the important work and duties which have been confided to you. My hearty good wishes for your success.

(Signed) W.G.McAdoo."

Telegrams were also read from John Skelton Williams, Comptroller of the Currency, and from Secretary McAdoo advising that the charter of the bank had been executed but that it would not reach the bank until probably about the 18th.

Many Visitors Present

Secretary McAdoo's telegram was authority for the mailing of announcements to member banks,and the Federal Reserve Bank, upon receipt of the telegram, was in a position to begin operations at once. The directors, upon receipt of these telegrams, authorized the bank's secretary to send congratulatory telegrams to each of the other eleven Federal Reserve Banks.

The lobby on the opening day presented the appearance of a florist's display room. Scores of vases of cut flowers and potted plants had been sent by banks, bankers, business men and professional men who wished success to the new institution. Many of these tokens were sent by individuals and institutions outside of Kansas City. From about 9:30 in the morning until 3 o'clock in the afternoon the lobby, reception room and the offices of the bank were filled with visitors who called to pay their respects and express their well wishes to the infant banking institution.

The officers and directors in their various rooms were a receiving committee which occupied every moment of the day in greeting visitors until the doors were closed. Among the visitors on the opening day were

(Insert Statement)

Early Discounting Slow

There was a very modest amount of rediscounting done in the early days of the bank's existence. In fact none of the Federal Reserve Banks were called upon to give marked assistance to the country or to the government in any considerable degree for some time after the banks opened, and this in spite of the fact that war was going on in Europe and a considerable amount of financial operations were going on between the United States and the countries involved in the conflict.

Especially was the Tenth Federal Reserve District in a stable condition, owing to its wealth and prosperity. The stringency due to crop moving in the summer and fall of that year had been eliminated by the natural course of market payments. It was in reality not until April, 1917, when the United States had been drawn into the world war, that the Federal Reserve Banks became of great assistance to the government, although the date of their opening had been advanced because of the belief that the world war would necessitate an immediate operation of the Federal Reserve System for the benefit of the government.

Two days after the opening of the bank the Board passed a resolution that all paper would be discounted to within five days of maturity and where notes were paid before maturity the unearned discount would be rebated except for a period of fifteen days but such rebates should be at the prevailing rate at the time of payment of such note. The Executive Committee was also authorized and directed to lower the rate of discount to 5½% on paper maturing within thirty days and 6% on paper maturing after thirty days. "if it is found that the Federal Reserve Banks in adjoining districts have lowered their rate of discount." Prior to December 10 the Executive Committee of the bank had approved from day to day offerings of thirteen member banks for rediscount aggregating $477,874.48, seventy-five notes having been discounted. The gross discount on these notes was $2,295.04. On December 17 the rediscount rate was lowered to 5,5½, and 6%. Up to that date there had been transferred to the Federal Reserve Agent notes aggregating $330,000. secured in lieu of the same Federal Reserve bank notes aggregating $330,000 of which there remained to date only $1,000. The first application for rediscount was made by

Begin Handling Cash Items

At the meeting of December 10 it was agreed to extend the operations of the bank beginning Tuesday, December 15, to include the handling of cash items on all member banks in the district, also to include checks and drafts drawn on all Federal Reserve Banks.

Up to December the bank had counseled with the firm of Robinson & Goodrich in a few matters in which legal advice was needed and on December 4 the directors moved to retain Robinson & Goodrich and B. F. Detheridge as attorneys for the bank on a basis of $50.00 per month. During the early years of the bank's existence Judge Goodrich was the principal legal advisor of the officers and directors. During early December some of the other Federal Reserve cities declined to receive from the Federal Reserve Bank of Kansas City checks and drafts drawn on member banks in Federal Reserve cities. This led to the local bank notifying its members that it had discontinued receiving such items.

St. Louis Applies the Lash

One of the early problems which the Kansas City bank had to meet was in connection with the practice of the Eighth District bank at St. Louis. The St. Louis bank had been making constant demands for a shipment of gold to cover balances that had accumulated in the St. Louis bank. The Executive Committee spent a considerable amount of time trying to protect this bank against these demands. On the morning of December 22 the committee discussed the matter with the Kansas City Clearing House Association as a result of which the clearing house agreed to protect this bank to the best of its ability. The clearing house banks promised to instruct their St. Louis correspondents to deposit with the Federal Reserve Bank of St. Louis for our credit actual cash to meet at least a portion of the demands made against Kansas City. In the meantime a committee of five Governors of Federal Rexerve Banks had taken up the matter of adjusting this phase of the banking and woulx report January 22 on a general clearing plan between the Federal Reserve Banks.

By December 18 there were thirty employees in the service of the bank and the monthly payroll, exclusive of the officers, was $2,540.00. In the first month of the bank's existence five of the twenty-five employees were dropped from the roll for various reasons and new employees soon filled their places.

The first authorization of the purchase of United States Bonds by the Kansas City Bank was made on December 18 when authority was given the officers to purchase \$250,000 of United States 2% Circulation Bonds at a rate not to exceed $96\frac{1}{2}$.

The first missionary work done by the Kansas City bank, outside of its continuous correspondence with member banks, was done by Director Wilson, who, on the authorization of the Board and at the invitation of Secretary Harrison of the Oklahoma Bankers Association, attended the bankers group meetings in Oklahoma in December, 1914, and delivered an address at each of the meetings and explained the w workings of the Federal Reserve Bank. It is a significant fact that, while the provisions of the Federal Reserve Act were widely published and bankers were supposed to be conversant with the operations of the system either through studying the Act or by verbally learning its powers and requirements from other bankers, very few active bankers in the district had obtained a clear idea of the bank's functions even after the first half dozen years of the existence of the system. The natural result of this is an unfortunate situation which frequantly leads to misinterpretation of the system and its various phases.

Even member banks were so unfamiliar with the provisions of the new Act as it affected them that it was necessary for the officers of the Kansas City bank to wire various important instructions to these member banks less than a month after the Federal Reserve Bank was opened. For instance, telegrams were sent to banks having overdrafts at the close of business to make same good at once; letters were writtento all banks advising that the Federal Reserve Bank would accept and place to the credit of member banks only checks, drafts and credits of a like nature where [illegible] the banks on which these items were drawn "have with us sufficient funds to cover, and where banks paying do not have sufficient funds to cover items received against them the items are to be cut out and sent for collection and returns, the endorsing bank to be notified that the amount represented by such items will be placed to their credit upon receipt of returns;" member banks were hotified that a charge would be made at the current rate against the account of a bank drawing drafts against the Federal Reserve Bank and sent in such a way as to create eastern exchange; they were advised that the Federal Reserve Bank would not accept for credit items bearing endorsements outside of district 10; messages were sent to Omaha, Denver, St. Joseph, and other reserve cities' banks advising them of the regulations in regard to creating eastern exchange.

By Christmas of the opening year the situation between the various Federal Reserfe Banks had improved remarkably, the local bank having sent to other Federal Reserve Banks in that time a total of $5,109,878.72 and received from them $5,923,283.06,leaving the local bank a debtor of $813,404,34, which amount was being liquidated as rapidly as practicable.

During the first two months of operation the city and countryclearings had grown noticeably, the total items in the city department amounting to 10,629 aggregating $28,888,260.78 and the country department having a total of 128,107 items aggregating $35,048,927.93. The expense of conducting these two departments had amounted to approximately $2,000 a month.

The bank began the year 1915 with reserve deposits of $10,381,363.27 and with paid in capital of $928,150.84.

The first member bank to apply for permission to act as trustee, executor, administrator and registrar of stocks and bonds was the United States National Bank of Denver and this application was approved by the Federal Reserve

Board in March,1915.

On Monday, April 26, 1915, Governor C. S. Hamlin of the Federal Reserve Board made his first visit to the Kansas City bank and was present at a meeting of the directors on that day. He was introduced to the Board by Chairman Miller and in the course of his talk on the lines of work and policies of the Federal Reserve Board he commended most highly the Kansas City directors for the splendid pioneer work they had done in putting into operation the clearing functions provided for by the Act. Governor Hamlin was entertained at luncheon with the Board at the Mid-Day Club and the discussions of the Board were continued until 2 o'clock in the afternoon.

During the first three months of 1915 Chairman Miller had been called upon to speak before various bankers' organizations in Nebraska, Colorado and Kansas, and on April 8 the directors directed him to have published 5,000 copies of his address on the subject "Federal Reserve System and the Operation of the Federal Reserve Bank of Kansas City," and to send one copy to each bank in the district. The result of this was a decided improvement in the understanding of the system on the part of many members in the district.

lc – THE FIRST EXAMINATION

On Thursday, May 13, 1915, the directors held a conference with Mr. J. A. Broderick, Federal Reserve Bank examiner who, together with Messrs. Gidney and Grayson, had made an examination of the affairs of the bank and an audit of the bank's accounts and cash. Mr. Broderick reported that his examination showed that the expenses to date were $55,000 more than the bank's earnings. It also showed that the gold reserve after the first six months of the bank's existence stood at 98.3% after deducting $2,038,000 which was due other Federal Reserve Banks and clearing house banks on account of debit balances. The earnings had averaged $128 a day and estimated expenses $126,000 per annum. The par value of United States Bonds held at that time, all of which were 2% Consols, 1930, was $941,750. Other investments such as warrants and certificates of indebtedness of cities totaled $65,000.

Thus it was shown in the bank's first examination that its gold reserve was exceedingly large due to a small amount of rediscounts, the estimated amount at that time being only $3,150,000 whereas it was estimated that the rediscounts in order to earn expenses and pay dividends should amount to approximately $7,350,000.

Mr. Broderick's comments regarding the operations of the bank, the personnel of the officers and employes, equipment and location of the bank were highly gratifying to the directors. However, he suggested that the bank install a more up-to-date vault record, that the tellers' cash be audited at least once each month, the reserve cash once each quarter and the Federal Reserve Agent's cash and accounts once each quarter. He also suggested that the bank make daily settlements with the clearing house and that Kansas City members should be induced to maintain balances in the Federal Reserve Bank sufficient to cover three days' out of town clearings.

Director Ramsay Resigns

At the meeting of September 23 Director Ramsay tendered his resignation as a Class C director in order to accept a more lucrative position, that of Vice-President of the Drovers National Bank. At the same meeting the resignation was accepted and a resolution adopted appreciating his valued services in the past and regretting the loss of his counsel from the Board. This resolution was presented to Mr. Ramsay at a later meeting on December 16 when he appeared before the Board with an application of the Drovers National Bank for the privilege of acting as trustee, executor, administrator and registrar of stocks and bonds.

Bank Vault Completed

Throughout the year of 1915 a substantial vault was being installed in the bank. This was completed early in October and on its completion the gold which was formerly held in the vaults of the Southwest National Bank of Commerce and the Fidelity Safe Deposit Company was moved to the bank's own vault.

SECOND EXAMINATION

1915

Early in November Messrs. J. A. Broderick and J. L. Cross, Federal Reserve Bank examiners made the second examination of the condition of the Federal Reserve Bank of Kansas City. It will be recalled that the first examination six months previous showed a loss in earnings under the amount of expenses. In fact, throughout the first year of the bank's existence the same condition was true, namely, that the amount of rediscounts in this district was light and the expenses of the institution due to the cost of organization and equipment was unusually high.

It is not surprising therefore that the examiners, when they appeared before the Board by invitation on November 23, made certain recommendations on the system of operating and accounting which would tend to improve the condition if not to relieve the situation entirely. Mr. Broderick expressed his highest regard for the ability and efforts of both Governor Sawyer and Cashier Thralls but stated as his opinion that both officers were undertaking to do entirely too much detail work. He recommended that a third officer who should be entirely familiar with all the details of banking be engaged with a view to relieving the two present officers of a great amount of detail.

Mr. Broderick recommended that the office of auditor be independent of the operating department of the bank and that the auditor be given a free hand in conducting the examinations of the bank, being required to report at least once a month to the directors on the condition of all departments of the bank. A complete re-organization of the auditing, accounting and transit departments was recommended and also that all cash in charge of any one officer or employe be audited at least once each month and the cash under joint control of the Governor and Cashier be audited at least every three months. A further recommendation was made that credit balances resulting from our local clearings should be collected each day. It was expressed at the sense of the meeting that the above recommendations be complied with. With a view to effecting these recommended changes the directors, with the consent of the Federal Reserve Board, employed Mr. Cross to remain with the bank temporarily, lending his experience and his services toward bringing abouththe revision of the system.

Mr. Cross remained in this capacity for several months until, upon the resignation of Mr. Jerome Thralls as Secretary-Cashier on February 10 following, Mr. Cross was elected temporary assistant to the Governor at a salary of $400 per month. Later, on Jan. 11, 1917 Mr. Cross became Deputy Governor and served in that capacity throughout the greater part of our war period until his resignation on Oct. 15, 1918, to become a Vice-President of the National City Bank of New York City. Mr. Cross was the active head of the Liberty Loan Committee of this district being very active in the organization of the committee and serving as its executive manager until his resignation.

Mr. Thralls resigned to become connected with the American Bankers Association in which position he assisted in an advisory capacity with the Government's war financing program at Washington during the war period and later became deeply interested in the foreign trade program.

The suggested changes in the bank's working system proved so efficient that before the next examination was made the bank's showing was improved to a flattering degree. Before this improvement was shown, however, it was necessary to adopt a plan of amortization of expenses by means of which that part of the organization expenses which had not been covered by earnings up to the close of business December 31st was pro-rated over a period of 24 months, one twenty-fourth to be charged off each month. In the same manner the cost of Federal Reserve notes was pro-rated over a period of 30 months and the furniture and fixtures account charged off 10% each year for a period of ten years in order to equalize the expenses in proportion to the earnings.

Mitchell Succeeds Jones

At the expiration of Director Jones's first year of service with the bank, J. C. Mitchell, President of the Denver National Bank of Denver, Colorado, was elected to succeed him and at the meeting of December 16th the directors adopted resolutions of regret at the expiration of Mr. Jones's term and appreciation of his able services and wise counsel during his time of service.

Mr. Mitchell, who had been active in obtaining a Federal Reserve Bank for Kansas City and who had been previously considered for a member of the Advisory Council, began serving at the meeting of January 4, 1916.

In the Federal Reserve Agent's first report to the Board in Washington which was for the year 1915, including the latter few weeks in 1914, Chairman Miller wrote that as the Rederal Reserve Act was a compromise measure several of its features were meeting with meager support, if any, from various interests within the district. The first difficulty seemed to be that the bankers, even those who were members of the System, were not fully appreciative of the scope of the Act and of the fairness of its measures to all the people of the country. It was to be expected, therefore, that the early days of the bank were not all smooth for the executives who stood between the Act and the bankers of the district who could not or would not see the justice of the Act.

The Agent's first report also set out as the most striking characteristic of the Kansas City bank the variety of interests it was called upon to serve. With a territory of approximately 470,000 square miles centering not far from the geographical center of the United States, practically every cereal, every staple commodity, every forage crop and mineral common to the United States was a part of the varied production of this district. Although much of this production was covered in the pleas made to the organization board in Washington by the Tenth District bankers for the location of a bank in Kansas City, the Agent's report again emphasized this variety of production as it had affected the workings of the new bank.

The membership of the Kansas City bank at the close of its first year was 949 banks, including 3 state institutions.

Discount Rates

During the first year of the bank the rates of discount varied materially. The first proposed rate was 7% on all maturities, but on November 14th, two days before the bank opened, the Board approved a rate of 6% on all maturities as the directors of the Kansas City bank encouraged a policy of discount rates that would have a tendency to lower and stabilize the rates of interest and prove attractive to member banks. The discount rate gradually declined until August after which a 4% rate on 90-day maturities and 5% on maturities over 90 days and under six months prevailed. During the close of 1915, the Federal Reserve Board approved rates of 3½% for 10-day paper, 3½% on trade acceptances and 3% on commodity paper.

Rediscounting privileges were very poorly understood by the majority of the banks during the first year. This caused a great deal of

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additional detailed work on the part of the Kansas City bank officials in explaining the rulings and the reasons for such rulings. It was an educational year but as the membership in the System continued to increase, executives of the bank found that virtually every year was one necessitating a great deal of educational work.

It became apparent to officials of the bank early in the history of the institution that scarcely less important than the primary function of creating elastic currency was the function of the bank acting as a clearing house among the member banks in the System. In his first annual report to the Federal Reserve Board, Chairman Miller stated that if in full operation the clearing house function would enable the check of any solvent depositor to circulate at par not only in his own district, but anywhere in the United States.

There were problems in the handling of clearings, however, principal of which was the disinclination of many of the member bankers to agree with the directors and officers that the Federal Reserve Bank should make an immediate debit to the accounts of member banks for items sent them, although, at the same time, most of these members were sending to this bank for immediate credit items drawn on points throughout the district, generally such items as would otherwise have cost them exchange to collect. The reserves paid in were small while the volume of clearings gradually increased to an extent which occasionally caused a debit balance or overdraft against member banks. These banks were inclined to question the legal right of the Federal Reserve Bank to make immediate debit to their accounts and for a time it was difficult to fully justify in the minds of the members, the rulings of the bank. Finally all member banks were notified that only such checks as could be charged to their account without creating an overdraft would be handled, and all checks in excess of their balances would be returned to the sending bank. This plan proved satisfactory.

In connection with the subject of clearings, Chairman Miller in his first annual report dealt also with a kindred subject, that of the handling of ~~the~~ float in the district. In November 1915, the amount of float of the District was estimated at $25,000,000 and Chairman Miller pointed out that if all the clearings of the district floated through the Federal Reserve Bank, this amount of float would be reduced approximately three-fourths, or to about $6,250,000, and the large volume of business that would be concentrated in the hands of a single institution could thereby be handled at considerably less expense than by numerous independent organizations. Since the organization of the bank, the question of the handling of float has been one under almost constant discussion among member bankers and is perhaps understood less by most of those who discuss it than is any other division of banking. The history of the handling of float in more recent years has borne out the original contention expressed above by Chairman Miller.

The Chairman called the attention of the Federal Reserve Board to the disparity in the methods of carrying float in the various districts, pointing out that until a uniform system was adopted by the Board, the regulations of the Act could not be administered with equal justice and fairness. He emphasized the prediction that if a comprehensive clearing system were established it would save millions of dollars to the country and eliminate a charge on domestic exchange, thereby having a tendency to equalize interest rates and make available to commerce millions of dollars which would then be deposited in the banks of the country.

Following is a rediscount table of the states of the Tenth District with the number of member banks and their rediscounts during the year 1915:

R E D I S C O U N T S

FOR MEMBER BANKS, TO DECEMBER 31, 1915.

	No. of Banks	Nov. & Dec. 1914	1915	Total
Colorado	18		523,798.12	523,798.12
Kansas	55	11,364.00	3,412,805.79	3,424,169.79
Missouri	23	391,346.69	2,536,963.67	2,928,310.36
Nebraska	71	102,737.26	1,791,826.42	1,894,563.68
New Mexico	1		19,219.20	19,219.20
Oklahoma	101	4,365.00	2,748,549.22	2,752,914.22
Wyoming	5		32,362.93	32,362.93
	274	509,812.95	11,065,525.35	11,575,338.30

In November and December 1914, 89 notes were rediscounted, and in 1915, 6,946 notes were rediscounted to December 31st, a total of 7,035 notes, average amount of each note $1,600.00.

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J. Z. MILLER, JR., BECOMES GOVERNOR

The operation of the bank throughout the first year gradually demonstrated to the directors that the office of Governor was by nature of more importance than it was originally conceived to be. While the Governor had less of contact with the Federal Reserve Board than had the Federal Reserve Agent, the responsibility that should be assumed by the Governor in carrying out the operating end of the bank was such that it required some one of both large banking experience and of resourcefulness and executive ability. It was for that reason, therefore, that the directors at the meeting of January 4th elected Chairman J. Z. Miller, Jr., as Governor of the bank. The salary authorized for the newly elected Governor at the time of his election was $15,000 per year. However, at the following meeting held on February 24th, Governor Miller refused to accept more than $10,000 a year until such time as the bank should enter a dividend paying period. Acting upon this objection the Board at that meeting adopted a resolution that the salary to be paid the Governor be fixed at $10,000 instead of $15,000.

On January 4th was the regular date for the election of officers and the result .

of the election was immediately wired to the Federal Reserve Board and the request made of the Board to appoint Mr. Charles M. Sawyer as Federal Reserve Agent to succeed Mr. Miller. This was subsequently done. At this same election Mr. Swinney was again unnanimously elected as a member of the Advisory Council for the ensuing year, and Col. J. W. [illegible] was appointed Vice Governor and Deputy Federal Reserve Agent to succeed Asa E. Ramsay when he resigned.

Mr. Thralls, who was re-elected Secretary-Cashier for the year, resigned on February 10 as previously mentioned. The Board accepted the resignation effective March 1 and adopted a most complimentary resolution of regret and appreciation.

For the position of Secretary-Cashier to succeed Mr. Thralls there were thirteen applicants considered at the meeting of March 14. These applicants were as follows:

Arch W. Anderson,	Vice-Pres., Stock Yards Nat'l. Bank, Kansas City, Missouri.
Eugene P. Davis,	Ass't. Casg., Southwest Nat'l. Bank of Commerce, K. C. Mo.
Royal C. Stewart,	Ass't. Bank Commissioner, Oklahoma City, Oklahoma.
E. E. Montgomery,	Pres. Citizens State Bank, Blue Springs, Missouri.
John F. Hecox,	City National Bank, Omaha, Nebraska.
A. R. Bradley,	State Bank Examiner (Mo.) Kansas City, Missouri.
W.F. Lacaff,	Cashier, Westport Avenue Bank, Kansas City, Missouri.
W.E. Shepard,	Omaha National Bank, Omaha, Nebraska.
Myles Standish,	Ass't. Cashier, First Nat'l. Bank, Omaha, Nebraska.
W. H. Langford,	Internal Revenue Office, Kansas City, Missouri.
E.E. Emmett,	Cash., Corn Exchange Nat'l. Bank, Omaha, Nebraska.
L. H. Tate,	Ass't. Cashier, Corn Exchange Nat'l. Bank, Omaha, Nebraska.
Eugene D. McAllister,	Federal Reserve Bank, Kansas City, Missouri.

The only one of this list who was connected with the Federal Reserve Bank was Mr. McAllister. When asked his preference of the applicants Governor Miller asserted that his acquaintance with the others of the list was so limited that he could not consistently make a selection but if confined to the list he would naturally select Mr. McAllister for he had had the opportunity of observing Mr. McAllister's work as manager of the loans and discount department of the bank. Various applicants had their staunch supporters among the directors but the first informal ballot taken showed a preference for Arch W. Anderson.

Governor Miller suggested to the directors that as the applicants were not all fully known to himself and the directors, it might be desirable to elect Mr. McAllister assistant cashier and defer further action on electing a Secretary-Cashier until a subsequent meeting. The directors, however, felt that the time had arrived to elect a Secretary-Cashier and they wished to elect some one who would be suitable to the Governor. The situation was somewhat embarrassing to the Governor owing to the fact that he was not sufficiently acquainted with Mr. Anderson who appeared to be the choice of the majority of the directors, to enable him to pass an opinion. Clearly, the Governor did not wish to make a mistake in the selection of a Cashier and for that reason he was slow to sanction the choice of any one until he had had further opportunity to investigate. He stated, however, that he had no objection to Mr. Anderson other than his own lack of acquaintance with him. The Governor wished to go on record as not assuming any responsibility for the conduct of a man chosen who was unknown to him, but he would perform the best service possible for the bank with the tools furnished him by the directors. The vote was taken and stood 6 to 3 in favor of Mr. Anderson. The Chairman declared Mr. Anderson elected and the salary fixed at $4,000 a year.

Bank Becomes Fiscal Agent

By the middle of December 1915, the Government had assumed so important a commercial place among nations engaged in the war and had undertaken such a share of financial responsibility toward Europe that the Treasury Department needed assistance throughout the country in handling its relations with the public. On December 16th, Chairman Miller presented to the Board a letter from the Secretary of the Treasury designating the Federal Reserve Bank of Kansas City as Fiscal Agent of the Government for this district and outlining the services expected of it. The assuming of this additional responsibility by the bank led to the opening up of what became the Fiscal Agency Department, destined to become a most active department of the bank during the war period.

On January 2, 1916, the bank began the handling of Government deposits and the payment of Government warrants. Although this was not a part of the prescribed duties of the new Fiscal Agency Department, it was related in a measure to that Department in that it was due to the same primary cause, notably, the World War. The government was purchasing a great amount of supplies from industries in this district and it issued warrants which were redeemable at the Federal Reserve Bank. This work was handled largely by Mr. Tyner, Chief Clerk.

The heavy work of the Fiscal Agency Department did not begin, however, until about May 23, 1917, and is described in another chapter beginning on page 70.

Governor's Report

Governor Miller in his report to the directors on March 14th showed how the Federal Reserve Bank of Kansas City had begun to forge ahead in its earnings and recover its financial balance after the first year of rather unprofitable operation. He made it clear to the directors that of the four possible methods of a Federal Reserve Bank earning money, namely; first, by rediscounting bills for member banks; second, by bankers' acceptances and open market transactions; third, by revenue income warrants and, fourth, purchase of United States Bonds. The Tenth district found the fourth method the only one adapted to its use at that time.

There was a very light call for rediscount and the New York Federal Reserve Bank was in position to materially assist in open market transactions or revenue income warrants. At the date of the Governor's statement a little over $8,000,000 in United States Bonds bearing circulation privilege had been purchased and the bank had received from the Comptroller of the Currency $2,000,000,000 in circulation notes with which it had been daily purchasing eastern exchange. By the purchase of the bonds Governor Miller showed that the bank had increased its earnings to $777.46 per day while the expenses were averaging $333.27 per day, leaving a net profit of $444.19 per day or approximately $160,000 per annum, which was within $20,000 a year, or 89% of a dividend paying basis.

During the Mexican border conflict in June, 1916, three of the bank's employes who were members of National Guard units were called to the service and upon a report of this to the directors at the meeting of June 22 the Board instructed the officers of the bank that employes of the bank who were members of the National Guard and had been called to service "shall be granted a leave of absence on full pay for a period of six months or such part thereof as shall be spent in the military service of the United States."

The First Dividend

By the middle of July, 1916, there being accrued sufficient undivided profits to more than cover the difidends due stock-holding banks to June 30, 1915, the directors at a meeting on July 13 authorized the payment of the first dividend in the history of the bank. This dividend was paid for two periods; number one, the period from November 2 to December 31, 1914, inclusive and, number two, the period from January 1 to June 30, 1915. The amount of number one was $8,495.47 and of number two $58,211.48 making a total of $66,706.95.

Governor Harding's Visit

At its meeting of September 28, 1916, the Board of Directors was visited by Governor W.P.G.Harding of the Federal Reserve Board who, as one of the original members of the Board, had succeeded Governor Hamlin at the first of that year. Upon invitation of the Chairman, Governor Harding briefly addressed the Board commending the directors and officers, making suggestions on matters of interest and outlining the policy of the Federal Reserve Bank with respect to the declaration of dividends and the disposition of organization expense prior thereto.

At an informal meeting of the Board the following day Vice-Governor Paul M. Warburg was present in Kansas City to deliver an address at the meeting of the American Bankers Association held here on that day. In the afternoon he met informally with the directors of the bank and discussed with them principles and matters of policy with respect to the operation of Federal Reserve banks particularly the concentration of gold, the issue of Federal Reserve notes, investments, earnings and dividends.

At the meeting of October 12 the resignation of Director Wilson, effective December 31, was accepted with regret by the directors. Mr. Wilson was soon to remove from the district and for that reason did not permit his name to be included in the list of candidates for the approaching election.

On October 26 Governor Miller's report showed a decrease in discounts and an increase in bankers' acceptances and warrants negotiated. It also showed an increased volume of clearings. Also an important part of his report was the subject of penalties for deficient reserves and, following the report, the Executive Committee was authorized by the directors "to fix a rate as penalty for deficient reserve balances of members, to determine the time from which said penalties would be made effective and to make such changes in the rate from time to time as it may deem advisable and necessary."

Second Dividend

The second dividend paid the stock holders by the Federal Reserve Bank of Kansas City was aythorized at the meeting of December 19. This dividend at the rate of 6% upon the stock of the bank from July 1 to December 31, 1915. It amounted to $87,920.88. At the final meeting of the year of 1916 held on December resolutions of regret at the resignation of Director Wilson and of appreciation of his work and his ability were adopted by the directors and an engrossed copy presented to Mr. Wilson with appropriate remarks by Governor Bailey.

In contrast to the condition of the Tenth District during the first year of the bank was the situation during 1916 at the close of which year the Federal Reserve Agent was enabled to make a more favorable report to the Federal Reserve Board as to the earnings of the bank and the general banking condition of the district. Although agriculturaly the year was not an exceptional one, yet commercially and in a general comparison of productiôn by industries 1916 was materially more favorable than the preceding year in a banking way. The manufacturing facilities were at capacity production. Labor conditions were satisfactory with a general increase in wages. Live stock markets remained high and many records were broken in receipts and in prices. The bank deposits held up in an unusually strong manner although, owing to a comparatively light demand for money and the low level of interest rates, the banks perhaps earned no more than in the preceding year.

While it has been stated that the earnings of the bank during 1916 increased over those of 1915 yet this increase was due not to an increased volume of rediscounts so much as to the open market investments made by the bank. Out of the year's earnings it was possible to pay dividends to June 30, 1915, as well as to charge off all organization expenses. Rediscounts during the year will be found in tabulated form on page 60d.

It was during 1916 that the Federal Reserve Act was amended so that member banks were permitted to obtain funds from Federal Reserve banks against their own promissory notes. While this practice was not indulged in to a great extent during that year, it has subsequently proven popular as a commercial relief practice. The first record of the bank being affected in any way by the state bank guaranty laws of its states was the mention made in the 1916 annual report by Chairman Sawyer to the Federal Reserve Board in which he stated that the membership in the district during the year showed a slight decrease owing to several member banks having denationalized and having become State banks. This change in membership was due to the fact that the "new State Guaranty law" proved popular at that time. In contrast to that year, there is the case of the Oklahoma guaranty fund becoming depleted in 1921, thus leading many Oklahoma state banks to strive to become national banks thereby excaping the uncertain influences of State Guaranty laws. From the organization of the bank to the close of 1916, only one Trust Company and two State banks had applied for and been granted membership in the institution.

The personnel of the bank's management underwent more changes during the year 1916 than in any year of the bank's history to date. On January 1st, J. C. Mitchell succeeded Gordon Jones as Class A director. Colonel F. W. Fleming was appointed Vice-Chairman and Deputy Federal Reserve Agent to succeed A. E. Ramsay, resigned and Charles M. Sawyer was appointed to succeed J. Z. Miller, Jr., as Chairman of the Board and Federal Reserve Agent. "Chairman" Miller had become "Governor" Miller with the beginning of the year, thereby changing places with Mr. Sawyer. On February 10th, Jerome Thralls resigned as Secretary-Cashier and J. L. Cross was elected assistant to the Governor. On February 1st, M. A. Thompson was appointed assistant to the Federal Reserve Agent and on March 14th, Arch W. Anderson was elected Secretary-Cashier to succeed Mr. Thralls. In October of the same year Director Wilson, Class B director, resigned, to become effective January 1, 1917. In December, H. W. Gibson of Muskogee was elected to fill the unexpired term of Mr. Wilson while Directors Bailey and McClure were elected to succeed themselves.

1917

At the initial meeting of 1917 held on January 11th the Chairman announced that the Federal Reserve Board had re-appointed Colonel Fleming as a Class C Director for a term of 3 years. At this meeting also Mr. H. W. Gibson of Muskogee, who had been elected to fill the unexpired term of Director Wilson, resigned, was welcomed as a new member of the Board. Also, Directors Bailey andMcClure were congratulated upon their re-election as Class A and Class B directors, respectively. The organization was further perfected by the re-election of J. Z. Miller, Jr., as Governor, Arch W. Anderson as Secretary-Cashier and E.F.Swinney as Federal Advisory Council.

At this meeting J. L. Cross, who had come to the bank as an examiner from the Federal Reserve Board and who had been serving several months in the capacity of assistant to the Governor, was elected "Vice-Governor". However the by-laws provided for a Deputy Governor instead of a "Vice-Governor" and the Chairman was instructed to present for action at the next meeting an amendment to provide for a "Vice-Governor" instead of a Deputy Governor. This amendment was adopted at the following meeting, but, owing to a stated preference for the term "Deputy Governor" made by the Federal Reserve Board, the action of amendment was rescinded at the meeting of March 8th and since that time the title has remained Deputy Governor.

Considering the compensation of officers at the meeting of January 11th after Governor Miller retired from the meeting, the directors unanimously voted a salary of $15,000 a year to the Governor. Later in the meeting Governor Miller, when he had been advised of the increase in salary, requested that the action be reconsidered and the salary be materially reduced. At his suggestion the Board reconsidered and voted the salary at $12,500. The salary of the Deputy Governor was fixed at $6,000 a year and the Secretary-Cashier at $5,400. On this same date a revision and adjustment of employes' salaries was made by which an aggregate increase for the month was approximately $300.

Bank Insures Employes

The very satisfactory plan of the Federal Reserve Bank insuring its employes had its origin in the meeting of February 21, 1917, for on that date Director Bailey moved that the bank enter into a contract for group insurance covering all employes of the bank, the amount of such insurance to equal the annual salary of each to a maximum amount of $3,000. Before the date of the next meeting of directors the bank closed a contract with the Aetna Life Insurance Company of Hartford, Connecticut, to cover this contingency.

There was present at the meeting of March 21st. Mr. Delano of the Federal Reserve Board on a semi-annual inspection trip among the various districts. Mr. Delano expressed satisfaction with the state of affairs in the Tenth District as reflected by the Bank's condition. He commended favorably on the Kansas City Bank's success with investments, with the penalties for deficient reserves and this bank's practices in general.

At the meeting of April 12th Governor Miller gave an account of the tenth conference of governors and of the proposed amendments to the Federal Reserve Act.

At this meeting enlistment of various employes was brought up for discussion and the directors voted that where employes had enlisted in the army or navy they would be shown preference for re-employment upon their discharge from service.

War Finance Begins

Although the European war had exerted an influence on American finance almost at the outset of the conflict in 1914, that influence did not become marked until the United States itself became involved in the strife with the sinking of the Lusitania on and the subsequent declaration of hostilities on April 14, 1917. It became apparent immediately that if we were to successfully wage a conflict against the central powers in Europe we must finance the conflict promptly. Moreover, the woeful lack of preparation of this country for war made it urgent that the war financing be done with the greatest promptness and on the largest scale possible to insure success.

The Treasury, therefore, without waiting for a public loan to be launched, authorized in April 1917, the issuance of $200,000,000 in United States Treasury Certificates which were to provide available funds in contemplation of the subsequent war bond issue.

The Tenth District's first official war measure was the motion by Director Byrne supported by Director Mitchell at the meeting of April 26th adopting the following resolution:

> "WHEREAS the Treasury Department of the United States has offered for subscription an issue of $200,000,00 Treasury Certificates, as reported to the Executive Committee meeting April 19th, and
>
> WHEREAS banks in District No. 10 have filed their subscriptions with this Federal Reserve Bank, in the sum of $7,623,000,
>
> THEREFORE BE IT RESOLVED, That the officers of this bank are authorized and directed to purchase such Certificates in the amount of $377,000, or such portion thereof as may be necessary to bring the actual subscription to this issue, from Federal Reserve District No. 10, up to $8,000,000."

It will be noted that the Tenth District's quota was 4% of the national issue, this ratio remaining in force throughout most of the war loan Program.

The first official preliminary announcement with respect to the First

Liberty Loan came as a telegram from the Secretary of the Treasury and was read at the meeting of May 10th.

In the second issue of Treasury Certificates, opened on May 10th, the Tenth District's quota was subscribed promptly on the forenoon of the opening day to the extent of $9,500,000.

At the meeting onMay 19th, the directors were advised of a confidential relation having been entered into between the Federal Reserve Bank of New York and the banks of England, France and Argentine covering reciprocal relations with a view to the control of exchanges and credits. In this arrangement the directors of the Tenth District bank voted to participate to the extent of 5%. While war finance operations became a metter of common routine in the meetings of the directors for the succeeding few years, it was at these meetings of April and May, 1917, that the program of financing the war took its first shape.

Float First Loan

The campaign of the First Liberty Loan was from May 23 to June 15, 1917. Preliminary to the campaign in this district, however, J. L. Cross who had been borrowed by the bank January 4, 1916, from the Federal Reserve Boa d, was elected Deputy Governor on January 11, 1917. He was put in active charge of handling the loan for the Tenth District. The first preliminary work was done at his desk in the Governor's office in the Long building where the preliminary correspondence was carried on, together with correspondence relating to the Certificates of Indebtedness which had been issued in anticipation of the First Loan. ~~In the C. of I. transactions, Mr. Cross was assisted by Samuel Stewart, Jr.~~

A few days prior to the beginning of the campaign, Mr. Cross opened offices in rooms on the second floor of the Glendale building across Grand Avenue from the Long building and fitted these rooms for the active work of handling subscriptions.

Mr. Cross called to his assistance in that campaign a representative from each of the bond houses in Kansas City, which force united in handling the subscriptions and the publicity of the campaign.

The subscriptions were handled under the direction of John Phillips, Jr., who resigned from the office of Arthur Young & Company on May 22nd in order to begin the campaign work for the bank. On that day, also, C. R. Riggs joined the bank and began assisting Mr. Phillips. On the following day, W. I. Earley was added to the force.

The first subscription of the First Liberty Loan was $500.00, taken by J. Z. Miller, Jr., Governor of the bank. The total for the day was 117 subscriptions amounting to $3,741,900. The final allotment for the loan was $63,481,850.

At the close of the First Loan on June 15th, the fiscal part of the loan organization automatically became the Fiscal Agency Department. This department moved in the Long building lobby on July 1st of that year, under the direction of C A Worthington and on September 1st took up quarters in the American Bank Building where it remained as the Fiscal Agency Department until the new bank building was occupied.

The detailed history of the Tenth District's war loan organization will be found beginning page .

PARTICIPATION CERTIFICATES

One of the war measures which helped the Tenth district to raise its quotas of Liberty Bond subscriptions and which ended practically with the close of 1921, was the "Participation Certificate" which was authorized by the Federal Reserve Board and the Treasury Department on June 1, 1917. The New York bank was the first to adopt this certificate which was designed solely to help salaried people buy Liberty Bonds and pay for them on the installment plan without actually being in debt for bonds in any of the banks. The certificate was 5x8 inches and bore the following text:

UNITED STATES GOVERNMENT LIBERTY LOAN BOND
Participation Certificate

This certificate represents a payment of TEN DOLLARS on a subscription to the Liberty Loan of 1917. Upon surrender of this certificate to the Federal Reserve Bank of Kansas City accompanied by four others of like amount, the holder hereof will be entitled to receive a $50. United States Government Liberty Loan 3½% Gold Bond with all coupons attached.

Countersigned
E.P.Tyner - Registrar

FEDERAL RESERVE BANK OF KANSAS CITY
By J.Z.Miller, Jr.
Governor.

The American Bank Note Company of New York City issued for the Tenth district 50,000 of these ten-dollar certificates in a series numbered KC-1 to KC-50,000. The sale of these certificates through various member banks to whom they were consigned began prior to the SecondLiberty Loan and were sold both during and between the subsequent Loans until the close of the Victory Loan in 1919. Purchasers of these certificates held them until they possessed five,or multiples of five, at which time they exchanged them for Liberty Bonds at the rate of five certificates for a fifty-dollar bond.

As fast as these certificates were surrendered for Liberty Bonds, they were returned to the Bond Department of the Federal Reserve Bank and held there until they were destroyed as follows: November 22, 1918, 40,000 of the $50,000 issued were destroyed by burning; on December 31, 1920, 9,970 of the remaining 10,000 were burned. At the close of 1921, there were still outstanding 30 of these certificates at which time it was doubtful if all the remainder would ever be returned.

The principle of the Participation Certificate was a sound one of especial advantage to persons on salaries or with small means. After the close of the war, financing this same principle with modifications was adopted by the Treasury Department to aid citizens to save money. As a result of the War Saving Stamp campaigns, the Government Savings Organization of the Treasury Department began issuing, through its district organizations, Treasury Saving

Certificates in denominations of $100 and $1,000 and later $25 denominations. These differed from the Participation Certificates, however, in that the $5 War Savings Stamps, which could be exchanged for certificates of higher denominations, drew interest, whereas, the Participation Certificates did not.

Heavy Rediscounts in 1917

Previously it has been stated that the earnings of the bank in 1916 were from open market transactions rather than by rediscounts. The history of the bank in 1917, however, is directly opposed to that of 1916 in that the banks of the district rediscounted heavily especially during the latter part of 1917 when America's part in the world war began to have its effect upon American finance, and when the movement of the crops in the Fall of 1917 also required additional currency in the western country. In that year the bank was not obliged to resort to open market transactions nor to outside investments of any nature.

Omaha Asks for Branch

A letter signed by representatives of all clearing house banks in the city of Omaha and requesting that a branch bank be located in that city, was read by Governor Miller to the Board of Directors at the meeting of June 14th. The directors voted to acknowledge the communication and to give careful consideration for the earliest practicable date to the request for a branch. In response to this communication, Governor Miller and Chairman Sawyer visited Omaha on July 10th. Following this visit, Directors Mitchell and Malone of Denver stated to the other directors, in the meeting of July 12th, that the Denver clearing house was considering the proposal for establishing a branch bank and that they wished the matter considered by the directors along with the establishing of a branch bank at Omaha. The first action on establishing a branch, however, was taken at this meeting in favor of the Omaha resolution and it was moved by Mr. Fleming and seconded by Mr. Bailey that the application of the Omaha banks be approved. Directors Burnham and Byrne then made various suggestions with respect to organizing the branch bank at Omaha. This consideration led to a motion by Mr. Burnham seconded by Mr. Byrne that the following men be appointed directors of the branch bank at Omaha: Luther Drake, Wm. B. Hughes and J. C. McNish, all of Omaha, with Mr. Hughes as manager. This motion carried and was followed by the adoption of the tentative by-laws supplied by the Federal Reserve Bank for branch banks.

At the time of the first Liberty Loan in June, 1917, came the first emergency in the bank's history requiring the appointment of temporary officers. At the meeting of June 14th Governor Miller announced that the Interim Certificates and allotment notices for Liberty Loan Bonds must be signed in large volume on spaces designated for Assistant Cashiers. The Board therefore designated the following nine employes of the bank as Assistant Cashiers for special purposes, such designations to be considered automatically canceled when the special duties were completed:

J. L. McCarthy	E. W. Moore
Samuel Stewart, Jr.	W. M. Blakely
E. P. Tyner	E. W. Kemmer
E. D. McAllister	Alfred E. Bolt
C. A. Worthington	

With the handling of this second loan also came a demand for more vault space and the Board obtained from the Fidelity Trust Company and the Commerce Trust Company additional space in their vaults for Liberty Bonds and other securities.

At the same meeting, June 29th, 1917, Governor Miller mentioned the responsibility assumed by Mr. C. A. Worthington in an unofficial capacity and the efficient work he had been doing in the bank and in the Bond Department and recommended that the Board consider making Mr. Worthington an Assistant Cashier. This was done and the salary fixed at $3,000.

At the June 29th meeting a 6% dividend was declared to the stockholders. Also the Federal Reserve Board's assessment of eleven-hundredths of one percent against the bank for expenses was paid.

Branch Banks Established

The few subsequent months produced considerable activity on the part of numerous cities in the district toward the establishing of branch banks. Then there were problems to solve in Omaha following the establishment of a branch in that city. The directors appointed by the Board and those named by the Federal Reserve Board failed to perfect satisfactory arrangements with Mr. Hughes who had been selected as manager. The resignation of Mr. Hughes followed and in his place Mr. O. T. Eastman of Omaha was elected manager and director of the Omaha branch.

Communications were read from clearing house associations in Muskogee and Denver and from member banks in Oklahoma City requesting the establishment of a branch bank at each of those points. After considerable informal discussion of the Denver application and the assurance of Directors Malone and Mitchell that the member banks of that city would support the bank with their patronage sufficient to cover any deficit in expense, it was unanimously agreed to establish a branch bank at Denver and the following men were appointed directors of that branch: F. F. Struby, C. C. Parks, A. C. Foster and R. H. Malone, all of Denver, with Mr. Malone designated as manager. At the next subsequent meeting, however, Director Malone resigned as director of the branch bank owing to a ruling that a director of a primary Federal Reserve Bank could not serve as a director of a branch.

Due to the report that banks in Tulsa were preparing an application for a branch, consideration of the Muskogee and Oklahoma City applications

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was deferred uhtil the next meeting and the applicants were requested to furnish the Chairman a brief setting forth facts and arguments on which each based its request.

At the meeting of July 26th, on the reading of a communication from the Federal Reserve Board authorizing the reduction of the bonds of the Federal Reserve Agent and Assistant Agent, the Board reduced the bonds in the case of the Kansas City officers to \$100,000 and \$50,000 respectively.

Just before this meeting adjourned Director Gibson presented the application of the Tulsa associated banks for a branch.

At the August 9th meeting a letter from Mr. Delano of the Federal Reserve Board asking that the Denver branch proposal be held in abeyance for a week until he had visited Kansas City and Denver, was read. On account of this decision also the three Oklahoma cities had been notified that consideration would not be taken of their application until the Denver matter had been settled.

Manager Eastman was authorized on August 23rd to enter into a contract leasing the premises in the Farnum Building in Omaha for the Omaha branch for three years at an annual rental of \$6,000.

On the above date Director Mitchell presented the resignation of Mr. Struby as a director of the Denver branch. In his place Mr. C. A. Burkhardt was appointed manager and director at a salary of \$4,000. Also on the above date Mr. E. D. McAllister of the Kansas City bank was made Secretary-Cashier of the Omaha branch.

On October 12th M. A. Thompson who had been Assistant Federal Reserve Agent was elected Assistant Cashier at a salary of \$3,000.

The first recorded payment of penalties by the Kansas City Clearing House Association was ordered at the meeting of October 12th. These fines had accumulated since the organization of the bank and amounted to $414.40 representing penalties for delinquency.

At the same meeting it was voted that the Executive Committee should meet daily at 11 o'clock and the service fee for the members of that committee be fixed at $10 per day and an expense allowance of a like amount for non-resident directors.

On November 8, 1917, Deputy Governor Cross read to the directors a report of the Second Liberty Loan campaign written by Mr. Worthington, Assistant Cashier and manager of the Bond Department. On the recommendation of Mr. Worthington, A. M. McAdams of the Bond Department was designated assistant manager of that department at a salary of $150 per month, Mr. McAdams to have charge of the conversion of 3½% into 4% bonds.

Also at this meeting the resignation of M. J. McNellis, auditor, was received and accepted and Mr. A. E. Bolt, general bookkeeper, was designated acting assistant auditor to serve during any interim.

When the Denver branch was first authorized the directors decided upon the same by-laws as those governing the Omaha branch. However, at the meeting of November 22, 1917, those by-laws were rescinded and new ones adopted authorizing a few changes and outlining specifically the functions and regulations of the institution.

A dividend of 6% was authorized for semi-annual periods ending December 31, 1916, and June 30, 1917, to be made payable December 31, 1917.

Extra Compensation

For the first time in the history of the bank the directors at their meeting of December 6, 1917, considered at the Governor's request, the matter of extra compensation for junior officers and employes in view of the extreme high cost of living and excellent services and loyal co-operation of every member of the organization. The Governor had addressed a communication to the Federal Reserve Board on that topic and at this meeting it was voted to pay an additional compensation of 10% of the current year's salary to all employes and all officers with exception of the Governor and Federal Reserve Agent. The payment was authorized to be made in War Savings Certificates, the recipient to be notified that it was a war measure and not intended to establish a precedent.

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Mr. Ramsay Returns

At the expiration of Mr. Sawyer's term as Federal Reserve Agent, the Federal Reserve Board had appointed to succeed him Asa E. Ramsay, who had resigned as director the year before.

At the election of officers, held on January 10, 1918, J. Z. Miller, Jr., was unanimously re-elected Governor and the Chairman was requested to recommend to the Federal Reserve Board an annual salary of $15,000 for that office. Mr. Cross was re-elected Deputy Governor and a salary of $9,000 was recommended. Arch W. Anderson was re-elected Secretary-Cashier with a recommended salary of $8,000. Mr. Worthington and Mr. Ma A. Thompson were unanimously re-elected Assistant Cashiers with salaries of $4,200 and $3,600, respectively. James E. Goodrich was designated counsel for the bank and E. F. Swinney was again re-elected member of the Federal Advisory Council. At this meeting also, O. T. Eastman and E. D. McAllister, manager and cashier, respectively, of the Omaha Branch were re-elected at salaries of $6,000 and $3,600, respectively, and C. A. Burkhardt was re-elected manager of the Denver Branch at a salary of $4,000.

First Mention of New Building

At the January 10th Directors' meeting in 1918 Governor Miller in his report to the directors brought up for the first time the subject of erecting a new building for the Federal Reserve Bank, explaining that the institution had already expanded until it occupied floors in two other buildings equal or greater than the space then occupied in the Long Building making the administration difficult and the operation more hazardous. He pointed out also that the present vault space was inadequate and that it was impratticable to lease additional office or vault space in the Long Building or suitable space in any other building in the city. As the present lease expired on November 1, 1919, the Governor urged that immediate steps be taken to provide for a future home for the bank. The directors unanimously adopted resolutions endorsing the Governor's report and recommendations. ~~of the Governor.~~ This meeting was the beginning of what later became the greatest bank building in the West.

At the following meeting on January 24th a letter from Mr. Delano of the Federal Reserve Board was read offering suggestions on the acquiring of a building site. Immediately a committee composed of Directors Gibson, McClure and Ramsay was appointed as a building committee and ~~were~~ instructed to investigate sites and report to the directors.

The tensity in the condition live stock credits in the winter of 1917 and 1918 had become so apparent the directors of the bank were asked for assistance by a committee of representative live stock bank and loan companies of the district. At the meeting of February 14, 1918, the regular business ~~of the Board meeting~~ was deferred in order to give the committee a hearing at the close of which the Board, without commiting itself officially, gave assurance to the committee that it would co-operate by calling immediate attention of the Federal Reserve Board and the Treasury Department to the situation and would recommend means of relief.

The question of the amount of "float" being carried by Kansas City banks as affecting the volume of loans possible for these banks to make was frequently discussed unofficially in the banking circles in the spring of 1918. It was first brought officially to the attention of the directors of the Federal Reserve Bank at the meeting of April 25th when J. W. Perry of the Southwest National Bank of Commerce appeared before the Board with a request that the bank reinstate its practice of purchasing miscellaneous banks draft exchange in order to relieve the Kansas City banks of the burden of carrying the float and thereby prevent the restriction of loans by Kansas City banks. Mr. Perry also btought up for discussion the cost to individual banks of the discount on Federal Reserve cities exchange. The matters were thoroughly discussed and the stand taken by the bank explained to Mr. Perry.

Several months having elapsed since the resignation of M.J.McNellis as auditor, the directors on May 9th elected as acting auditor of the bank at a salary of $3,300, Mr. S. A. Wardell who had been filling the position since Mr. McNellis resigned ~~went to the Omaha branch.~~

One phase of the Treasury Department's plan for retiring silver certificates and reissuing outstanding notes as redeemed in the spring of 1918, was the material increase in the amount of Federal Reserve Bank notes to be issued. The notes had previously been issued in blank and signed by the Governor and the Cashier of the bank. The continuation of this practice would have meant the consuming of a great amount of time by the Governor andthe Cashier. For this reason the directors voted to request the Comptroller of the Currency to deliver the Federal Reserve Bank notes to the Bureau of Engraving and Printing and have the fac simile signatures of the Governor and the Cashier engraved thereon by the Bureau.

A 6% dividend for the semi-annual periods ending with December 31, 1917 and June 30th, 1918, were declared by resolution on June 13, 1918.

On June 30th the statement of earnings which the bank filed with the Federal Reserve Board showed net earnings of $1,015,980.13 between January 1, 1918 and June 30th.

A problem of more equitably advancing funds for productive purposes presented itself to the bank at the opening of the agricultural season in June. At the meeting of June 30th the directors voted to rediscount eligible paper with other Federal Reserve Banks in amounts deemed necessary. They further voted that whenever, after August 15, 1918, the Executive Committee of the bank approved offerings of member banks for discount in excess of the member banks' required reserve balances these offerings should be subject to an advanced differential and discount rate equal to ½% for all classes of paper except notes secured by Certificates of Indebtedness and by Liberty Bonds, in which case the advanced differential whuld be ¼%.

The Bank Site Settled

After various meetings of the building committee at which it considered the several sites proposed for a new bank building, the committee finally presented to the directors on June 13th 1918 two reports on a building site. The majority report signed by Chairman Ramsay and Director Gibson recommended the northeast corner of Tenth Street and Grand Avenue, a tract of 144x115 feet, provided it could be purchased for $500,000. A minority report signed by Director McClure of the committee gave reasons why he could not agree with the other two members and recommended as the bank site the southwest corner of Ninth Street and Baltimore Avenue, the tract being 272½x142 feet at a purchase price of $350,000. After Director Gibson moved the adoption of the majority report and Director McClure moved as a substitute the adoption of the minority report the motions were voted upon and the directors adopted the majority report thus determining the Tenth Street and Grand Avenue location where the bank building was finally constructed. Those who voted against this adoption were Directors Bailey, McClure and Burnham.

At a subsequent meeting on July 11 Director Bailey was permitted to read into the records a letter which he had addressed to the directors setting forth his reasons for favoring the Ninth Street and Baltimore Avenue location as a bank site. The reasons stated in his letter were that the larger dimensions of that property would permit a park space entirely around the building, thus affording additional ventilation and security. Director Bailey felt that the additional $150,000 which would have to be paid for the Tenth and Grand site would be an unjustifiable expenditure of money. Further reasons for favoring the Baltimore Avenue location were that it was close to several hotels thereby being more convenient to representatives of the various member banks outside of Kansas City and that the absence of street cars at that location would prevent annoyance and unnecessary noise.

After Chairman Ramsay had submitted to the Federal Reserve Board the majority and minority reports, together with Director Bailey's letter, he reported to the directors that the Federal Reserve Board had declined to reconsider the vote of the directors. At the July 11th session also the motion that Governor Miller be authorized to execute a contract for a site at Tenth and Grand was voted upon, the votes of Directors Bailey and McClure being recorded as "No." Governor Miller showed at this meeting that the difficulty of obtaining steel for the structural work would doubtless defer the making of a contract.

On June 27th E. P. Tyner who had been a bookkeeper since the opening of the bank and part of which time he had been chief clerk, was elected acting Assistant Cashier of the bank at a salary of $2,700. On the same date the salary of Manager Burkhardt of the Denver branch was increased from $4,000 to $5,000.

On July 11th the following salaries were increased: C. A. Worthington, Assistant Cashier, from $4,200 to $4,800; M. A. Thompson, Assistant Cashier, from $3,600 to $4,200; Cashier McAllister of the Omaha branch, from $3,600 to $4,200.

The resignation of M. A. Thompson, Assistant Cashier, who had accepted a position with the Midwest National Bank was read and accepted at the meeting of July 25th, the resolution accepting it expressing the bank's regret at his resignation and its appreciation of his efficient service.

On this date the directors adopted a resolution of regret at the resignation of F. A. Delano, member of the Federal Reserve Board.

At the suggestion of the Federal Reserve Board the Kansas City bank voted on August 22nd to absorb the expense of operation of the Capital Issues Committee of the Tenth District. At the following session, however, on September 12th, it was voted to expunge from the minutes of the meeting this resolution. The latter action was taken in consideration of a letter from the Capital Issues Committee at Washington suggesting that the ~~Capital Issues~~ Committee keep within the limits of the regularly appropriated fund.

Three employes of the bank were appointed acting Assistant Cashiers at the meeting of September 12th, J. W. Helm, L. A. Earhart and John Phillips, Jr., each of whom was to continue to receive the same salary until further consideration.

The financial topics that were uppermost in the mind of the nation during the fall of 1918 are reflected in the minutes of the directors' meeting of September 30th. At this meeting a report was made by Advisory Councilor E. F. Swinney of the Federal Reserve Advisory Council meeting at Washington from which he had just returned. Foremost in these topics was that of the curtailing of non-essential credits. This subject was one which had become nationally of grave importance especially in the minds of financiers who saw the trend toward economic ruin being taken by the short sighted portion of the public whose heads had been turned by easy stages of prosperity and whose investments were of a spectacular rather than of a ~~serious~~ constructive nature. Other topics discussed by Mr. Swinney and the directors were the development of the acceptance market and the proper use of bankers' and trade acceptances; the investment by banks in public utilities' issues, and the advancing of credit by banks thereon; the distribution of Liberty Bonds, and preferential rates on loans secured thereby; the gold embargo question; the supervision of bank loans for capital purposes by the Capital Issues Committee; the matter of discount rates of Federal Reserve Banks, the tax on undistributed earning accounts; the subject of Government deposits with state bank members; the proper basic prices in mercantile inventories; the absorption by Federal Reserve Banks of expenses incident to transfers of currency and valuable documents as between Federal Reserve Banks and members.

Despite the abnormal conditions of war finance, untimely seasons and labor shortage, the year 1918 proved to be the record business and banking year of history. The bank clearings for the fifteen clearing house cities of the district showed transactions aggregating approximately 17 billions of dollars or about 4 billions more than the 1917 transactions. The Tenth District in that year sent to its six market cities approximately 26,288,000 meat animals as against 22,840,000 in 1917, the increase being 1,055,000 cattle, 2,104,000 hogs and 281,000 sheep. As a result the packing plants made by far their greatest record of any year. This record was made despite the fact that approximately a half million young men had been called from the district to the army, navy, marines and to industrial pursuits supporting these military branches.

The autumn of 1918, apart from any financial significance it may hold, will long be remembered by officials of the bank, as well as by thousands of other citizens of the United States, as an exceedingly trying time with the health and the business of this country. At the peak of the nation's activity in the war and in war finance, when the front lines of all the allied nations were being virtually fed, clothed and equipped by the industry and capital of the United States, there came to our shores an epidemic of influenza in its most malignant form which took thousands of lives in the army and navy camps and industrial centers and left an almost disastrous effect upon business through shortage of help occasioned by illness and death.

The Federal Reserve Bank suffered from the help shortage for several weeks and the seriousness of the situation was brought even closer to the directors through the death on October 25 of Asa E. Ramsay, Jr., second son of Chairman Ramsay of the Board. The epidemic occured during and following the Fourth Liberty Loan, but despite this fact which prevented thousands of public meetings over the district the loyalty and support of this southwest country were nevertheless responsive to the nation's call. With a quota of $260,000,000 for that loan the Tenth District subscribed to a total of $295,951,450. *

* For complete war record of district see page ___

< Excessive Loans a Problem >

The report of Governor Miller read to the directors at the meeting of November 14, 1918, stressed the importance of some activity which would relieve a situation in the Tenth District that required immediate attention. This situation was in effect that a limited number of banks in the district had demanded unusually large lines of credit while some of the banks were rediscounting scarcely any, a condition requiring some sort of remedy which should retard or at least discourage excessive rediscounting by any member bank.

Although this matter was discussed by the directors on September 30th and October 31st, it was not until November 14th that a resolution was adopted bearing upon the subject. This was the beginning of the progressive discount rate which later became nation-wide in its scope. For a more complete history of the progressive rate see page ____

At the close of 1918 the reserve position of the Tenth District, while considerably in excess of the legal requirements, was reduced from the 1917 record and it was very evident that the war financing program had a telling influence upon the position of commercial banks as well as the Federal Reserve Bank. War financing narrowed the market for commercial paper in the district largely because of two things - first, loans to customers for purchasing government securities and, second, the lessening market for cattle paper outside the district. Notwithstanding these conditions only about 68% of the member banks made use of the rediscounting privilege during the year.

Growth of the Bank in 1918

During 1918 there was a net increase of 33 member banks in the district, closing the year with a membership of 994 of which 239 were within the Omaha branch district and 139 in the Denver district. Seven hundred par banks were added to the list during the year, increasing the number to 3,200, leaving approximately 1,000 banks not represented on the par list. The clearing operations increased steadily during the year until the daily items averaged about 50,000 near the close of the year.

A special compensation was voted to the employes including officers below the grade of cashier to the extent of 10% of the salary each received during 1918.

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The bank began the year 1919 with the same directors as the previous year who, at the meeting of January 9th, re-elected the same official staff even to the directors of the branch banks. Following is the personnel of the directorate and ~~financial~~ official family of the bank:

D I R E C T O R S

CLASS A	CLASS B	CLASS C
J. C. Mitchell	H. W. Gibson	Asa E. Ramsay
W. J. Bailey	M. L. McClure	Fred W. Fleming
C. E. Burnham	T. C. Byrne	R. C. Malone

Chairman of the Board and Federal Reserve Agent, Asa E. Ramsay.
Deputy Chairman, Fred W. Fleming.
Assistant Federal Reserve Agent, C. K. Boardman.

O F F I C E R S

J.Z. Miller, Jr., Governor
J.L. Cross, Deputy Governor
Arch W. Anderson, Secretary-Cashier
E.F. Swinney, Member Federal Advisory Council
C.A. Worthington, Assistant Cashier
John Phillips, Jr., Assistant Cashier

E. P. Tyner, Ass't.Cashier
J. W. Helm, Ass't. Cashier
L. H. Earhart, Ass'tlCashier
S. A. Wardell, Auditor
A.E. Bolt, Ass't.Auditor.

BRANCH DIRECTORS

Omaha	Denver (Elected by Directors)	Denver (Appointed by F.R.Board)
Luther Drake	A. C. Foster	John Evans
O. T. Eastman	C. C. Parks	Alva Adams
J. C. McNish	C. A. Burkhardt	

BRANCH OFFICERS

Omaha	Denver
O. T. Eastman, Manager	C. A. Burkhardt, Manager
E. D. McAllister, Cashier	P.R. Fredman, Acting Cashier

Employes' Dinners

So large had grown the body of employes of the Bank and its branches that the directors at their ~~first~~ meeting on February 8, 1919, ~~it~~ authorized dinners to be given to the officers and employes of the main bank and also of its branches. The date set was Thursday evening, February 13. ~~At the main~~ In Kansas City the dinner was held ~~in the~~ in the ball room of the Meuhlebach Hotel, there being 438 officers and employes present. Messages of greeting were exchanged between the main bank and its branches. At the Omaha branch ~~75~~ seventy-five officers, employes and wifes were present. In Denver the number who enjoyed the dinner was thirty-nine.

Two Officers Resign

At the meeting of February 13th the resignation of J. L. Cross as Deputy Governor was read and accepted effective April 1st. The resignation contained a sincere note of regret that Mr. Cross' three years of experience with the bank were to terminate in order for him to accept a position of Assistant Vice-President of the National City Bank of New York.

Upon the suggestion of Governor Miller that the office of Deputy Governor be not immediately filled and that some one acquainted with the operations of the Fiscal Agency Department and with the Liberty Loan Department to which Mr. Cross had given special attention be retained in the

Governor's office, the Board designated C. A. Worthington as Assistant to the Governor with no increase in salary.

Following the resignation of Mr. Cross there was read a letter from Arch W. Anderson, Secretary-Cashier, in which he also tendered his resignation to become effective at the earliest convenience of the directors.

Mr. Anderson stated in his letter ~~of resignation~~ that he had deferred the resignation for two or three months at the suggestion of certain directors and that he now proffered the resignation in order that the directors might with more understanding consider the vacancies in the official staff. Secretary Anderson stated that he desired time to consider two business offers, one in Kansas City and the other in California.

At the following meeting it was voted that Mr. Anderson's resignation be effective May 15th with leave of absence from April 15th.

At this meeting and the one following on February 27 the resolutions commending both Mr. Cross and Mr. Anderson for their splendid service with the bank and regretting their resignations were offered and adopted.

Upon the suggestion of Governor Miller the official staff of the bank was re-adjusted to fill the two vacancies in the following manner: J. W. Helm advanced from Assistant Cashier to Acting Cashier; C. K. Boardman designated as Secretary; Assistant Cashier John Phillips, Jr., designated manager of the Bond Department; C. E. Daniel, manager of the Discount Department and G. E. Barley, manager of the Certificates of Indebtedness and Depositary Divisions, elected Assistant Cashiers, and G. H. Pipkin appointed to succeed Mr. Daniel in the Discount Department, all without changes of salary.

Also at the February 27th meeting it was voted "that the movement to organize a hospital and health association among the employes, as recommended by Governor Miller, be endorsed and the Executive Committee authorized to share in its support in an aggregate amount equal to the payments made by members of the association at such times and in such amounts as may be then proper."

Honor Roll

At the meeting of April 10, 1919, the directors voted that an Honor Roll be incorporated in the minutes giving a complete record of the young men who left the service of this bank to become soldiers or sailors in the defense of the honor of this country and the protection of its policies as follows:

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KANSAS CITY	POSITION	SALARY	BRANCH OF SERVICE.
J.O. Fredman	Disc. Clerk	$100.00	Navy
Frank P. Turck	" "	105.00	Army
Geo. Edwin Moran	Accountant	110.00	Navy
J.L. McCarthy	Auditing Dept.	90.00	Army
Earl W. Kemmer	" "	100.00	"
Lewis C. Winkler	Gen'l Utility	100.00	"
Wm. E. Emison	Disc. Dept.	75.00	Navy
E.W. Moore	Statistical	115.00	"
Thos. Dolman	Trans. Lister	65.00	Army
Earl Getz	" "	60.00	Training School
Harry Beecroft	" "	60.00	" "
Robert Steel	" "	80.00	Marines
Glenn Eberhard	Collections	60.00	Navy
Andrew Lawson	Disc. Clerk	85.00	Army
E.W. Addison	Clerk	65.00	"
D.W. Chandler	Stenographer	100.00	"
C.W. Crawford	Bookkeeper	115.00	"
V.C. Feemster	Clerk	100.00	"
Warren C. Gray	Clerk	60.00	Aviation
C.E. Hinds	Corresponding Clerk	125.00	Auditor Q.M. Dept.
H.A. Lamborne	Clerk	125.00	U.S. Signal Corps
B. Leamer	Clerk	85.00	Q.M. Corps
A.M. McAdams	Ass't Mgr.	166.66	Army
James Moore	Clerk	125.00	Motor Tank Corps
W. Roy Moore	Bookkeeper	100.00	437th Engineers
Claude F. Roberts	Clerk	80.00	Q.M. Corps. Aviation
Guy Winterfair	Clerk	50.00	Signal Battalion
Fred W. Adams	Trans. Clerk	95.00	Training School
Geo. S. Morro	Trans. Clerk	55.00	Naval Reserve
J.T. Byers	Gov'n Teller	60.00	Artillery
Grover J. LaVelle	Tracing Clerk	90.00	Infantry
Lloyd T. Gilmore	Trans. Clerk	70.00	Artillery

OMAHA:

Horace C. Meredith	Transit Mgr.	115.00	Army
Ralph Henderson	Trans. Clerk	75.00	"
Clifford E. Boand	" "	90.00	"

DENVER:

Phillip J. Clark	Clerk	75.00	Aviation
Fred S. Smith	Trans. Clerk	65.00	Aviation

On April 24th the directors voted to designate M. W. E. Park~~s~~ as Assistant Cashier.

Hearing on New Branch

~~There~~ having been communications received by the directors bearing on the applications of Tulsa and Oklahoma City for a branch bank, the directors voted on June 19th "that the date of July 24th be set to hear applications for the establishment of a branch bank in the state of Oklahoma and all cities which have requested a hearing be notified."

On the morning of July 24th the Board held a brief session and adjourned at 10 o'clock to the White Room of the Balitmore Hotel to receive applications of various cities in Kansas, Nebraska and Oklahoma for a branch bank. There were four applicants and an hour was alloted to each applicant in alphabetical order. The application and written brief of Lincoln, Nebraska was presented by H. S. Freeman, Vice-President of the First National Bank of Lincoln.

Frank J. Wikoff, President of the Tradesmens State Bank of Oklahoma City, presented that city's application and filed a printed brief with maps and charts. Judge P. D. Brewer orally assisted in the arguments. Following the arguments for Oklahoma City the various delegates were given a luncheon after which the application of Tulsa was orally presented by H. H. Rogers who filed a printed brief.

C. Q. Chandler, President of the Kansas National Bank of Wichita and W. B. Harrison, Chairman of the Board of the Union National Bank of Wichita presented that city's application and filed a printed brief.

Following the applications the Board invited and listened to the endorsements of the several contending cities who would be affected by the location of a branch bank.

The next step in the establishing of the branch bank was at the meeting of September 25th when Director Gibson, seconded by Director Fleming, moved that the Board recommend to the Federal Reserve Board at Washington that a branch of the Federal Reserve Bank of Kansas City be established in the state of Oklahoma. The motion was lost by the following vote: Aye- Directors Gibson, Fleming and Ramsay. Nay - Directors Burnham, Mitchell, Malone, Bailey, McClure and Byrne.

Director Byrne then offered a resolution that no new branch bank be established at the present time for the reasons that the original Federal Reserve Banks were located not in reference to states but with a view to recognize the natural trend of business and commercial interests, also that the showing made by the various contending cities was based largely upon their claimed superiority over other contending cities whereas the contentions should have been based upon the commercial fitness to serve a territory not already fully served by the bank or existing branch bank.

This resolution was adopted and ended the contest for a branch bank temporarily. In the meantime the Federal Reserve Board set October 21st as the date for reviewing evidence and arguments of the various cities and on October 9th the directors voted to be represented at this hearing by Director Bailey and Chairman Ramsay. At this same meeting copies of various telegrams to and from the Oklahoma Clearing House Association and the Federal Reserve Board at Washington were read to the directors. Director Bailey reported on this hearing at the meeting of November 6th.

On November 1st officials of the bank received the following telegram from Governor Harding of the Federal Reserve Board which narrowed the competition for a branch bank to two cities, namely, Oklahoma City and Tulsa:

"The Federal Reserve Board has considered the briefs and oral arguments presented by the respective petitioners in the matter of the establishment of a branch Federal Reserve Bank in the southern portion of the Tenth Federal Reserve District by the Federal Reserve Bank of Kansas City, and has reached the following conclusions: While the portion of the district tributary to these cities is being well served in the matter of rediscount facilities by the Federal Reserve Bank of Kansas City, it is the opinion of the Board, however, that a branch with limited powers in the matter of rediscounts, the activities of which should be devoted mainly to the forwarding and receipt of currency and to transit operations, would be a convenience to the member banks and to the public in the territory served by the branch, and would increase the efficiency of the transit system. In view of the proximity of Wichita to Kansas City, it is manifest that a branch located at that point would not give any appreciable additional facilities in this respect to the more remote portions of the District; and the Board will, therefore, direct the Federal Reserve Bank of Kansas City to establish a branch at either Oklahoma City or Tulsa. In view of the technical nature of transit operations, the Board desires a report from the Federal Reserve Bank of Kansas City, giving an analysis of the source, volume, and direction of outgoing business, and the volume and direction of incoming business, together with a complete analysis of all mail schedules with reference to the territory to be served by a branch located in one or the other of these two cities. The Federal Reserve Bank of Kansas City is therefore directed to transmit to the Boadd, not later than November 25, 1919, the information called for, in order that a decision may be reached as to the proper location of a branch. This statement will be given to the press for release to Monday morning papers."

As soon as this telegram was received the bank began an analysis of the mail schedules and the preparation of other information requested in the telegram.This information obtained through the bank's own channels and also thrοugh the co-operation of both Tulsa and Oklahoma City wasfforwarded to Washington during the month of November. After considering the information and analyzing the various schedules of business to and from both the cities in question, the Federal Reserve Board decided in favor of Oklahoma City and issued the following statement in the morning papers of December 17, 1919:

"The Federal Reserve Board has authorized and directed the Federal Reserve Bank of Kansas City to establish a branch office at Oklahoma City in order, particulatly to expedite shipments of currency to and from member banks in the State of Oklahoma and to provide better facilities for intrastate clearing of checks.

"As set forth in the Board's preliminary statement of November 3d., the discount facilities which have been accorded by the Federal Reserve Bank of Kansas City are regarded as ample.

"The branch will be operated in accordance with the provisions of section 3 of the Federal Reserve Act, under by-laws to be framed by the Directors of the Federal Reserve Bank of Kansas City and approved by the Federal Reserve Board. There will be five Directors, three of whom will be appointed by the Federal Reserve Bank of Kansas City and two by the Federal Reserve Board.

"The Board has recommended to the Federal Reserve Bank of Kansas City that the by-laws assign as territory for the Oklahoma City Branch that portion of the State of Oklahoma which is not included in the Elefenth Federal Reserve District. An outline of the powers and functions to be exercised by the branch as recommended by the Board is as follows:

"The branch bank will receive deposits from member banks but will carry no deposit account. Amounts received on deposit will be transmitted daily, by telegraph or otherwise, to the Federal Reserve Bank of Kansas City for credit to the accounts of the depositing banks, and each member bank in the territory assigned to the branch, wherever located, may at its option, make remittances of currency and checks direct to the Federal Reserve Bank of Kansas City. The Branch will carry no Government deposit, but will redeem treasury certificates, pay government checks, and will close out balances daily with the head office. The branch will carry no earning assets; applications for loans or discounts from member banks and offers for sale of mail transfers, bankers acceptances and bills of exchange eligible for purchase by Federal Reserve Banks will be transmitted to the Federal Reserve Bank of Kansas City for final action. Immediate credit, however, may be given in cases where it becomes necessary for member banks to rediscount in order to meet clearing house debit balances, unexpected deficiencies in Reserves, and any other case where quick arrangements are necessary, all actual rediscounting operations, however, to be made at the head office, interest being charged from the date the notes were received by the branch. In cases where notes are secured by United States obligations, the branch may, by authority of the Federal Reserve Bank of Kansas City, hold the collateral and forward the notes to the parent bank with trust receipts showing the amount and nature of collateral held. Banks in the Branch bank territory may deal directly with the parent bank. The principal functions to be exercised by the Branch will be the clearing and collection of checks and the handling of shipments of currency to and from member banks in its territory. A private wire will be installed between Kansas City and Oklahoma City in order that the branch may telegraph daily to the parent bank the amounts of all items received for immediate credit or immediate debit to members or other Federal Reserve Banks, also amounts of currency deposited and the details of other transactions. This plan is the same case the one which governs the operations of the branch banks at Cincinnati, Pittsburgh, Buffalo, and other cities.

"The Board has made a thorough study of the briefs and arguments submitted by representatives of Oklahoma City and Tulsa, and has taken a poll of the member banks in the state of Oklahoma outside of two cities applying for the branch, the result of which shows a decided preference for Oklahoma City, both as to the number of banks and as to banking resources involved. It was proved, however, beyond question that banks in eastern Oklahoma have large volume of items which cannot be collected through Oklahoma City without involving considerable loss of time, and owing to railroad schedules the same condition applies to some banks in the western part of the State. Under the plan adopted additional facilities are given without affecting the business of any member bank and without forcing collections into artificial channels. The Board reserves the right to authorize the discontinuance of the branch at any time if its operation is found unsatisfactory."

On November 25th the Board approved bonuses for employes and officers except the Governor and the Federal Reserve Agent for the year of 1919 as follows:

20% on the first $1,500 per annum salary, or less.
15% on the next $1,500 per annum salary.
10% on all amounts in excess of $3,000 per annum salary.

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With the re-election of W. J. Bailey, M. L. McClure and Fred W. Fleming as directors respectively in Classes A, B, and C, the reappointment of Asa E. Ramsay as Federal Reserve Agent and Chairman of the Board, Director Fleming as Deputy Chairman and C. K. Boardman as Assistant Federal Reserve Agent, and the re-election of all officers, the same official personnel of the bank that obtained in 1919 began the year 1920. In addition the following branch officers were reappointed by the Federal Reserve Board: John Evans and Alva Adams, directors of the Denver Branch and P. L. Hall and R. O. Marnell directors of the Omaha Branch for one year.

For the new Oklahoma City Branch L. H. Earhart of the bank, Dorset Carter of Oklahoma City and P. C. Dings of Ardmore were elected directors with Mr. Earhart as Manager of the Branch. Ralph O. Wunderlich of Oklahoma City was elected Cashier of the Branch.

While the bank was considering the opening of the Oklahoma City Branch with Mr. Earhart as Manager, O. T. Eastman, Manager of the Omaha Branch, tendered his resignation which was accepted at the meeting of March 25th and in Mr. Eastman's place Mr. Earhart was appointed Acting Manager of the Omaha Branch. The Oklahoma City managership was later accepted by Mr. C. E. Daniel, who had been one of the Assistant Cashiers of the main bank. A. G. Frost of the Bond Department was elected Assistant Cashier at the meeting of January 8th. At the same meeting Luther Drake of Omaha, Nebraska, George E. Abbott of Cheyenne, Wyoming and O. T. Eastman of Omaha, Nebraska, were re-elected directors of the Omaha Branch. The officers for this branch were elected as follows: O.T. Eastman, Manager, E. D. McAllister, Cashier. However, following the resignation of Mr. Eastman Mr. McAllister also resigned and in his place P. R. Fredman of the Denver Branch was appointed Cashier of the Omaha Branch and W. D. Lower was later appointed Assistant Cashier for the Denver Branch, Joseph E. Olson was made Cashier in the place of Mr. Fredman and Albert J. Conway was made Assistant Cashier. Also at this meeting of May 27th occured the election of C. E. Daniel as Manager and director of the Oklahoma City Branch and the promotion of George H. Pipkin and Arthur M. McAdams to become Assistant Cashiers at the head ~~bank~~ office.

Following the excellent annual report by Governor Miller read to the directors at the meeting of January 8th, 1920, dealing extensively with discount operations, Federal Reserve notes and bank notes, capital stock, earnings and expense clearings, discount rates, employes, bonuses, welfare work, choral club, new building, Oklahoma City Branch, amendments to the Federal Reserve Act and the election of officers, Director Bailey introduced the following resolution which was seconded by Director Mitchell and unanimously adopted:

> "WHEREAS, This Board has just listened to the report of Governor Miller reviewing the activities of the bank for the past year, and
>
> "WHEREAS, Governor Miller has given due and proper credit to the efficient work of the different departments and to the force in general, all of which is very gratifying to this Board, but we recognize that to Governor Miller's devotion to his duties as Governor of this bank, is due the splendid organization and the large measure of success attained.
>
> "THEREFORE, BE IT RESOLVED:That this Board tender to

Governor Miller this expression of our sincere appreciation of his valuable service and congratulate him upon the showing made."

Buying a Branch Building

Early in 1920 negotiations were entered into by the bank through Director Byrne with the owners of the Farnum Building in Omaha, in which was located the branch bank, for the purchase of the property free and clear of all incumbrances except lease contracts expiring at various dates for $165,000 cash. The property fronted 66 feet on Farnum Street and extended 132 feet to the alley. A resolution was adopted by the Board April 29th authorizing negotiations which were afterward consummated and the lot and building purchased for $165,000.

On May 27th the directors acted upon the paying of two insurance policies which had been carried by the bank for two employes recently deceased. The bank had since February 1917 carried group insurance on employes in the amount of approximately one year's salary. In may occured the death of Miss Anna Eisenburg, employed in the Bond Department, and the directors moved to give the $900 policy payment to the mother of the deceased. They took similar action in the death of A. D. Fairley, an employe of the Auditing Department. In that case $2,000 was paid to Mrs. Nora B. Fairley, his widow.

In the summer of 1920 the attention of the bank was called to a condition in Wyoming brought about by the inability of wool growers of that state to finance the season's yield of wool. At the request of Wyoming bankers Governor Miller held a bankers' conference in Wyoming at which the problem was discussed and temporary adjustment made in handling paper in that territory.

Action intended to remedy emergency conditions in the remote parts of the district was taken by the directors on August 26th when they voted to amend the by-laws of the Omaha and Denver branches so that a rediscount committee composed of a branch manager, a cashier and one director should be enabled to pass upon emergency paper.

The autumn of 1920 found the officers of the bank contemplating the need for additional credit to handle the crop movement. In order to be in a position to obtain this credit a resolution was adopted on November 23rd, authorizing the Governor, Deputy Governor and Cashier to rediscount with other Federal Reserve Banks "notes, drafts, bills of exchange, acceptances or other bills receivable." Subsequent to that action rediscount relations were opened up between the bank and two or three eastern districts that were temporarily high in reserves.

THE PROGRESSIVE DISCOUNT RATE

There is no chapter in the story of American banking that holds a keener interest for an ambitious student of financing than the chapter relating to the establishment of the progressive discount rate in the Federal Reserve System. Especially interesting is this chapter to residents of the Tenth Federal Reserve District, for it was in this district that the progressive rate had its beginning and it was the Governor of the Tenth District's bank whose brain gave birth to this plan of regulating the limit of loans and preventing the over-borrowing of member banks from the Federal Reserve System. The greatest compliment that could be paid to Governor Miller and his grasp on the financial situation of the country was paid him by the entire financial structure of the United States when his ideas were advocated in turn by the Federal Reserve Board, the United States Congress and thereafter by the directors of all of the other eleven Federal Reserve banks.

The problem confronting the Federal Reserve banks of the country during the days first succeeding the World War was one arising out of the over-confidence and excessive optimism resulting from the signing of the Armistice. The United States had been the farm, factory and storehouse for the allied nations during the war. There was no reason apparent for believing other than that the United States would continue to furnish Europe with its food, clothing and other necessities, and at the prevailing high prices, until that war-torn continent should regain its production.

Consequently American farmers planted larger acreages than ever before, American manufacturers sped up their production and American banks reflected the everywhere apparent attitude of future prosperity.

But such an optimistic program in this country called for heavy loans in order to finance these business ventures and ambitions. It was not long until Federal Reserve Banks, especially the one in Kansas City, situated at the gateway of an already prosperous territory, began to feel the drain made upon their loanable funds.

On May 18, 1918, Governor Miller wired to the Federal Reserve Board that the combined reserves of the Federal Reserve Bank of Kansas City at the close of business the previous night was 46½%, and that it was the opinion of the bank's officers that "at least for the present our rates of discount should be materially increased to discourage unnecessary borrowing throughout the district. The rates approved for us by the Board effective May 20th are too low to accomplish the result desired and in our opinion should be increased even in exfess of recommendations wired the Board last Saturday." The rates referred to effective on May 20th were from 4% and 4½% on 15 day paper to 5½% on paper from 90 days to 6 months.

For a few months the exchange of letters and telegrams between the bank and the Federal Reserve Board referred to more or less sharp advances in the discount rates and from the start the Federal Reserve Board discouraged any such advances and stated in effect that it believed the increase in demands for loans in this district were growing out of the fears of country bankers that the rate would be raised. The governor and Executive Committee of the bank realized, however, that the actual situation was this; as long as there were available funds for borrowing many member banks found it convenient and profitable to rediscount with the Federal Reserve Bank at its prevailing low rates and continue to make loans at the prevailing high rates in the country. This was not true of all member banks, of course, but it was true of many of them and it was evident that a number of these heavy borrowing banks were over-stepping a reasonable limit.

Near the close of May, also in 1918, Governor Miller wired the Federal Reserve Board urging an increase of rates effective June 1st. The Executive Committee desired to advance rates to a schedule from 4½% to 6½%. His wire also stated that it was necessary for the Tenth District to rediscount with other districts to the extent of $5,000,000. On May 28th Governor Harding of the Board telegraphed Kansas City that the suggested increase was too drastic but that the Board was willing to authorize a schedule of rates fixing a minimum for banks that were rediscounting within reason and a maximum rate for those who had already exceeded their reserves. The Board on that date also arranged for Kansas City to rediscount $2,000,000 with Cleveland and $1,500,000 each with Chicago and Philadelphia, all at a 4½% rate.

On receiving the wire from the Board Governor Miller replied by wire that the Executive Committee believed the two standards of rates would create confusion and dissatisfaction, "to avoid which we prefer to continue the present rates."

The following day Governor Harding wired that the Board did not wish to insist "but does wish to give the Kansas City bank authority to charge higher rates to all banks alike where they have already discounted an amount equal to the required reserves, letting you be judge of the advisability of enforcing or relaxing the rule."

The double standard of rates was still urged by the Federal Reserve Board early in June and the first turn toward the progressive rate as it was later adopted was taken by the directors of the Kansas City bank at their meeting on June 13, 1918, when it was moved by Director Bailey and seconded by Director Burnham that a resolution be adopted with provisions as follows: "After August 15, 1918, the Executive Committee will aprove offerings in excess of the required reserve balances, such offerings subject to an advanced differential in discount rates equal to ½% for all classes of paper and all maturities, except notes secured by Certificates of Indebtedness and Liberty Loan Bonds which are subject to an advanced differential of ¼%."

Washington Board Rescinds Move

This resolution was adopted as a result of a conference in Washington a few days before between members of the Board and Governor Miller. At this conference Governor Harding and Mr. Delano of the Board were convinced the progressive rate as outlined by Governor Miller would be satisfactory and circular letters were prepared for member banks on June 13th authorizing and explaining the progressive rate. These letters were being prepared for the mails when a telegram was received from Governor Harding rescinding the Board's approval of the rates.

The necessity of checking excessive loans continued urgent despite all efforts to regulate it by the means at hand. At a conference of governors held in Washington July 10th, 1918, the matter was thoroughly discussed and the Board again decided not to authorize any decisive raise in discount rates. The Board still held to the opinion that cautioning the banks would prove the desired result.

Tenth District Insists

While most of the Federal Reserve Banks acquiesced in the decision of the Federal Reserve Board against a progressive rate, the directors of the Kansas City bank remained convinced that such a rate was the real solution of the problem, at least in this district. At the directors meetings on September 30th and October 31st the subject was thoroughly discussed but it was not until November 14, 1918, that a second formal resolution was adopted. This resolution directed attention to Section 4 of the Act authorizing the directors to administer the affairs of the bank "fairly and impartially and without discrimination in favor of or against any member bank or banks and which *************extended to each member bank such discounts, advancements and accommodations as may be safely and reasonably made with due regard for claims and demands of other member banks."

It was resolved that after January 1, 1919, the Executive Committee should subject applications for rediscount to an increased and progressive discount rate applicable to all classes and maturities of paper if the rediscounts asked for were "in an amount greater than the sum of the member bank's capital and surplus. The progressive rate suggested was based upon a differential of one-half of one per cent as follows:

> "One-half of one per cent above the normal rate of a sum equal to fifty per cent of the aggregate capital and surplus; one per cent above the normal rate on the next subsequent sum equal to fifty per cent of the aggregate capital and surplus, etc; i.e., the normal rate shall apply on paper discounted for a member bank in an amount equivalent to the sum of its capital and surplus, but thereafter the rate shall increase progressively one-half of one per cent on each subsequent sum advanced equal to fifty per cent of the total capital and surplus of the applying member."

Although the above resolutions were adopted after a visit to Kansas City by Governor Harding and Mr. Delano of the Federal Reserve Board at which conference both of these men verbally approved of the plan, the proposed sliding scale of rates in these resolutions was not then put into effect. For, before the bank could get its literature ready to send to member banks Governor Harding and Mr. Delano had returned to Washington and telegraphed back almost immediately that the Board could not endorse the new rates after having talked with the Board's counsel and obtained an opinion from him. This opinion was that the proposed change in rates was a violation of the Act in that it provided two different rates for the same class of paper. The counsel held that the proposed change was, in effect, merely an evasion of the stipulations of the Act. There seemed at that time no means by which this decision could be set aside without a legislative change of the Act and as the activities of early 1918 appeared to be more settled than late in 1918 the bank maintained a steady hold on the district's finances.

Campaign is Reopened

However, by December of 1919 new conditions had arisen by which speculative loans had increased so rapidly that there was immediate necessity of not only conserving the resources of the banks but also their reserves. Accordingly Governor Miller wrote to Governor Harding of the Federal Reserve Board and suggested that as a means of applying a progressive discount rate the Board considered these progressive advances as "penalties" upon banks that overborrowed instead of considering them as two rates on the same class of paper. In other words, it was Governor Miller 's contention that a member bank's basic line should be established for its normal requirements. Then, if the bank overstepped its requirements in demanding loans a penalty in the form of "graduated excess charges" should be applied.

Governor Miller was over-ruled by Mr. Harrison, general counsel of the Federal Reserve Board, who forwarded an opinion to the effect that, while Section 4 of the Act gave the directors of a Federal Reserve bank the power to withhold loans from a bank which was rediscounted to its limit, nothing in the Act could be construed as giving the directors privilege of charging an excess rate as a penalty.

On January 16, 1920, Governor Miller wrote to the Federal Reserve Board stating that sooner or later "counsel for the Federal Reserve

Board will find sufficient grounds on which to base an opinion exactly opposite to that now held by Counsel Harrison. An unprofitable rate is the reasonable and only logical remedy to apply to such banks as are willing to borrow as long as they can lend at a profit for the purpose of increasing their earnings. ********** There must be found a way to make it unprofitable for members to discount excessive lines with Federal Reserve banks."

This letter had so much weight with the Federal Reserve Board and its counsel that the Board set about at once to find a means of providing authority necessary for the application of a progressive rate for such Federal Reserve banks as desired to adopt it. This legislation was enacted April 13, 1920, being the following amendment to the Act:

> BE IT ENACTED BY THE SENATE AND HOUSE OF REPRESENTATIVES OF THE UNITED STATES OF AMERICA in Congress assembled, That section 14 of the Federal Reserve Act as amended by the Acts approved September 7, 1916, and June 21, 1917, be further amended by striking out the semicolon after the word "business" at the end of sub-paragraph (d) and insert in lieu thereof the following: "AND WHICH, subject to the approval, review, and determination of the Federal Reserve Board, may be graduated or progressed on the basis of the amount of the advances and discount accommodations extended by the Federal Reserve bank to the borrowing bank."

Approved by the President, April 13, 1920.

Four days later the Kansas City bank issued circulars to member banks putting into effect on April 19th the progressive rate. This circular, which was general letter #251, follows:

April 17, 1920.

PROGRESSIVE DISCOUNT RATES.

TO THE MEMBER BANKS OF DISTRICT No. 10:

Effective April 19, 1920, the provisions of a recent amendment to the Federal Reserve Act, providing for graduated discount rates, will become operative in this district, on the following basis:

The normal basic amount of credit accommodations which each member bank may receive from the Federal Reserve Bank will be determined by the member bank's average reserve balance and capital stock payment; i.e., the average reserve over a fixed period, less 35% gold reserve required to be maintained by the Federal Reserve Bank, plus the member's paid-in subscription to the capital stock of the Federal Reserve Bank; such sum to be multiplied by $2\frac{1}{2}$, the resulting amount constituting the basic line.

Credit advances extended up to and including this basic amount will take the normal discount rate in effect at the time paper is submitted:

Whenever advances to a member bank on rediscounts or member bank notes shall be approved in an amount greater than its basic amount, such advances shall be subject to an increasing discount rate, applicable to paper of all maturities, based upon a differential of $\frac{1}{2}$ of 1%, as follows:

$\frac{1}{2}$ of 1% above normal rate on accommodations extending above the normal basic amount up to and including 25% of such basic amount;

1% above normal rate for the next subsequent sum equal to 25% of the basic amount;

$1\frac{1}{2}$% above the normal rate for the next subsequent sum equal to 25% of the basic amount;

And so on, at an increasing rate of $\frac{1}{2}$ of 1% for each unit of 25% additional; i.e., the normal rate shall apply on paper discounted for a member bank in an amount equivalent to its basic line, but thereafter the rate shall increase progressively $\frac{1}{2}$ of 1% on each subsequent sum advanced equal to 25%, or fraction thereof, of the basic amount of the applying member bank;

Provided, however, that while the borrowings of member banks secured by Government war obligations shall be considered as a part of the sum constituting the normal basic amount or any amounts in excess thereof, the progressive rates shall not apply to member bank notes secured by Treasury Certificates of Indebtedness, Liberty Bonds or Victory notes actually owned by the borrowing member bank on April 1, 1920.

Provided further, that the progressive rate shall not attach to the paper now under discount, but new offerings, (other than those secured by Liberty bonds, Victory notes or Treasury Certificates of Indebtedness owned April 1, 1920) shall be subject to the progressive discount rate, to be based upon the then liability of the offering member bank.

Respectfully,
(Signed) J.Z.Miller,Jr.

G O V E R N O R.

Ten days later this letter was modified in a few particulars. For example there was taken from the credit structure determining the basic line member bank notes secured by Liberty Bonds, Victory notes or Certificates of Indebtedness actually owned by the borrowing bank on April 1, 1920. Also it allowed rediscounts secured by such government securities acquired after April 1, 1920, to be discounted at the preferential rate already obtaining, but this paper would not be considered as a part of the aggregate indebtedness upon which progressive rates would apply on subsequent offerings of other eligible paper.

As the legislation which made it possible to apply the progressive rates was enacted at the instigation of the Governor and directors of the Kansas City bank, it was natural that this bank would be queried upon the success which attended this new departure in banking. The other Federal Reserve banks began writing and telegraphing to Kansas City as soon as the rates were put into effect and the governor's office was kept busy giving accounts of the actual operations and the results. As expected there were objections raised to the progressive rate by numerous interests within the district, chiefly banks that were already heavy borrowers of the Federal Reserve bank and who saw an end to their possibilities of greatly increasing their lines of credit. Whether by design or otherwise there was a presistent misunderstanding of the new operations and it required many months of effort to counteract these influences.

It is therefore more to the credit of the Kansas City bank, its directors and officers that the measure which had been presistently opposed for two years prior to its enactment and, by some interests, for many months after it began operation, was completely vindicated and finally adopted in turn by the Federal Reserve banks of Dallas, Atlanta and St. Louis. All of these districts had experienced difficulty with some member banks seeking to rediscount far in advance of their basic lines and each of these other banks found the progressive rate expedient in correcting the rediscounting evils in the district.

Perhaps the most able vindication of the progressive discount rate was made by Senator Glass of Virginia, formerly Secretary of the Treasury, in his speech on Monday and Tuesday, January 16th and 17th, 1922, at the time the United States Senate had under consideration a bill to amend the Federal Reserve Act. Senator Glass recounted to the Senate numerous criticisms made by bankers, senators and politicians and exposed the ignorance and misrepresentation that had been the cause of the adverse criticism. In regard to the rates of discount Senator Glass said:

> "A great clatter has been raised about the alleged 'extortionate' interest charges of the Federal Reserve banks; but, as in other respects, a half truth only is told. The real facts are conveniently suppressed.
>
> "The 'progressive' interest charge was not a feature of the original reserve act; it was put in about three years ago by Congress. It was intended by Congress as a penal provision. It was not designed to aid borrowing banks; it was intended to penalize any bank that should persist in borrowing more than its fair quota of the funds of a reserve bank, thereby depriving some other member bank of its fair basic line. If Congress did not want that done it should not have authorized it to be done.
>
> "But, Mr. President, this 'progressive' interest charge was put into effect by but 4 of the 12 reserve banks. By these it was applied to comparatively few borrowing banks in their districts. These banks were incorrigible offenders against every requirement of cautious and safe banking. They were perpetually exceeding their allotted line of credits; they were incessantly appropriating

more than their fair share of reserve bank funds. But the assailants of the reserve system suppress these facts. THEY FAIL ALSO TO TELL THOSE WHOM THEY MISLEAD THAT THE AVERAGE REDISCOUNT RATE CHARGED BY THE FEDERAL RESERVE BANKS AGAINST THE GREAT BODY OF BORROWING BANKS IN THE FOUR DISTRICTS WHERE 'PROGRESSIVE' RATES WERE VERY OCCASIONALLY APPLIED WAS MUCH BELOW THE RATE CHARGED BY THESE BORROWING BANKS AGAINST THEIR OWN CUSTOMERS."

On page   there will be found a table of discount rates that have been in effect in the Federal Reserve Bank of Kansas City since the opening.

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So many financial problems were awaiting solution and so important were these problems to the bankers of the district at the beginning of 1921 that, at the first meeting of the directors on January 13th, the directors not only of the main bank but of the three branches were invited to be present. The session was held in the private dining room of the Mid-Day Club where the directors listened to the Governor's annual report for 1920 which treated of current topics so impottant in the banking world at that time. At the suggestion of the directors Governor Miller's report was later printed in pamphlet form.

The only change of directors at the outset of the year 1921 was caused by the resignation of Director C.E.Burnham of Norfolk, Nebraska, who had served since the opening of the bank but who, because of an amendment to the Act, was made ineligible as a Class "A" director. Mr. Burnham was an officer in a Group 2 bank and, therefore, not allowed to continue representing Group 3 banks. A resolution expressing the regret of the directors at the resignation of Mr. Burnham was adopted and an engrossed copy was presented to Mr. Burnham at a later date. He was succeeded by E. E. Mullaney of Hill City, Kansas, who attended his initial meeting on January 13th. Following are the directors and branch directors who attended the January 13th meeting:

MAIN OFFICE

Asa E. Ramsay, Chairman and Federal Reserve Agent,	Kansas City, Missouri
Fred W. Fleming, Deputy Chairman,	Kansas City, Missouri
H. W. Gibson,	Muskogee, Oklahoma
M. L. McClure,	Kansas City, Missouri
W. J. Bailey, Exchange National Bank,	Atchison, Kansas
J. C. Mitchell, Denver National Bank	Denver, Colorado
E. E. Mullaney, Farmers & Merchants Bank	Hill City, Kansas
Thos. C. Byrne,	Omaha, Nebraska
R. H. Malone,	Denver, Colorado

OMAHA BRANCH

L. H. Earhart, Manager and Director,	Omaha, Nebraska
George E. Abbott, First National Bank,	Cheyenne, Wyoming
P. L. Hall, Central National Bank,	Lincoln, Nebraska
R. O. Marnell, Merchants National Bank,	Nebraska City, Nebr.

DENVER BRANCH

C. A. Burkhardt, Manager and Director,	Denver, Colorado
C. C. Parks, First National Bank,	Denver, Colorado
A. C. Foster, Bankers Trust Company,	Denver, Colorado
John Evans, International Trust Company,	Denver, Colorado
Alva B. Adams,	Pueblo, Colorado

OKLAHOMA CITY BRANCH

C. E. Daniel, Manager and Director,	Oklahoma City, Okla
Dorset Carter,	Oklahoma City, Okla

OKLAHOMA CITY BRANCH

William Mee, Security National Bank, Oklahoma City, Okla.
E. K. Thurmond, Oklahoma City, Okla.
P. C. Dings, Guaranty State Bank, Ardmore, Okla.

The directors at the afternoon session re-elected the same officers of the main bank and added the following to the personnel of the branch officers:

Omaha- C.A. Gregory, Ass't. Cashier, and T.Gordon Sanders, Branch Auditor
Denver- R. W. Smith, Branch Auditor
Oklahoma City- R. L. Mathes, Branch Auditor

Campaign to Decrease Loans

A warning which had frequently been sounded by the officers of the bank to member banks and the public in general to the effect that over discounting during prosperous times might result in financial difficulties in more difficult periods that were apt to follow was not given proper heed by many of the banks in the district. As a result the beginning of 1921 found an unwholesome condition in the proportion of rediscounts to reserves. As a measure of safety the directors of the bank agreed during the meeting of January 27th that banks that had been continual borrowers with the Federal Reserve bank be required to liquidate a portion of their rediscounts. It was further agreed that the Executive Committee should discourage the practice of some banks to not continually maintain a borrowing line, so that the Federal Reserve bank could take care of the district without rediscounting with other Federal Reserve banks. While there was more or less unwarranted criticism of the bank from many sources later developments fully vindicated the action of the directors and showed that, indeed, the measures should have been taken at an even earlier date.

In March occured the death of Luther Drake, one of the directors of the Omaha Branch. William J. Coad, Vice-President of the Packers National Bank of Omaha was elected his successor.

Corner Stone is Laid

On April 16, 1921, occured the laying of the corner stone of the new Federal Reserve Bank building. The ceremonies were preceded by a meeting of the directors at 10:30 A.M. All the directors and Governor Miller were present. The morning meeting was brief and the only matters acted upon were the appointing of T. Gordon Sanders, Branch Auditor at Omaha, as Acting Assistant Auditor for the head office while Assistant Auditor Bolt should be on a leave of absence granted him to visit his home in South America, and the appointment of Judd W. Jones as Branch Auditor at Omaha temporarily. A letter from Director Malone at Denver was read to the directors urging the purchase of a lot in Denver on which to erect a permanent home for the Denver Branch. Director Malone stated that it was his intention to have this matter discussed at the April 16th meeting but on account of the corner stone laying he would defer it until the next meeting.

While there had been much open weather during the winter and spring which allowed construction work on the new building to be carried on and some unusual mild weather in March and early April, April 16th was a cold, stormy day such as has seldom been seen in this climate later than February or March. However, notable guests had been invited and detailed arrangements made for the corner stone laying and these arrangements were all carried out to the letter despite the storm. A canopy was erected over the working platform on which the services were held and canvas was spread over the top and sides of this to protect the guests and the Federal Reserve Choral Club which sang several appropriate numbers.

For complete program, list of guests and addresses made at the ceremonies, see page ____

Following the corner stone laying the directors and senior officers with their wives, and Bishop Lillis and Bishop Partridge, who had officiated at the corner stone ceremonies, were entertained at a luncheon in the tea room of the Hotel Muehlebach at one o'clock.

The directors reconvened at 3:30 in the afternoon. At this meeting it was voted to enroll upon the minute book the addresses of Chairman Ramsay, Governor Miller and Director W. J. Bailey that had been made at the corner stone laying.

The directors also at this meeting voted to present to Governor Miller, with the compliments of the directors, the gold trowel used by the Governor in laying the corner stone.

Start Insurance Fund

As a means of fortifying the bank against the paying of possible death claims it was voted on April 28th to set aside $8,007.39

as an insurance fund to be invested in Treasury Certificates of Indebtedness in the names of Governor Miller and Chairman Ramsay for the purpose of paying death claims on employes who might die in the service of the bank. Out of this start grew the more complete system of group insurance which the bank later adopted and by means of which the bank pays premiums on policies for each employe in the amount of approximately one year's salary of that employe. The bank is made beneficiary and may direct the use to which the insurance payment may be put. It is the policy of the bank to apply the insurance payment in such a manner that relatives of the deceased shall be best served thereby.

Governors and Agents Meet

On May 23, 1921, occured a group meeting of Governors and Federal Reserve Agents of three Federal Reserve banks, together with Governor Harding from Washington and the directors of the Kansas City bank. The Minneapolis bank was represented by Governor R.A. Young and Federal Reserve Agent John H. Rich. The San Francisco bank was represented by Governor John U. Calkins and Federal Reserve Agent John Perrin.

Before the meeting opened in a discussion of matters pertaining to the various Federal Reserve banks, a committee of Oklahoma City bankers presented an appeal for additional powers to be held by the Oklahoma City Branch enabling that branch to pass upon the eligibility of paper for rediscount without having it referred to the Kansas City bank. Mr. Frank J. Wikoff, President of the Tradesmens National Bank of Oklahoma City, was spokesman and urged that the above powers be granted to the Branch with the understanding that all paper passed by the Branch would be subject to the final approval of the Executive Committee at the head office. The object was immediate credit in emergencies.

At this meeting were introduced and adopted the by-laws of the Oklahoma City Branch, which with amendments will be found on page____.

A considerable amount of time was devoted to a talk from Governor Harding concerning the controversy between the Federal Reserve Board and John Skelton Williams, retiring Comptroller of the Currency. Governor Harding outlined the fallacies of Mr. William's arguments and, in the estimation of the Governors and Agents and also the Directors of the Kansas City bank, entirely vindicated the Board, endorsing the operations of the Federal Reserve System.

Following a luncheon at the Hotel Muehlebach, the Governors and Agents made short talks introducing special problems that had arisen in their various districts and discussed solutions for these problems. It was generally agreed that group meetings of Governors and Agents should be continued permanently at regular intervals.

Stock Growers Confer.

In the summer of 1921, Western cattle men and sheep and hog growers became deeply concerned over the need for financing their stock until ready for the fall market. With a view to obtaining what they termed " more leniency " from the Federal Reserve System, they called a conference of stock growers, Federal Reserve officials and other bankers with the Federal Reserve Board and the Agricultural Bloc of Congress at Washington on June 7th. Governor Miller and Director Bailey represented the Kansas City bank, for it was the Tenth District that was most vitally effected as a district. Governor Strong of the New York Federal Reserve Bank was also present and took an active part in the conference.

It was the expressed contention of Senator Capper of Kansas at this meeting, that the stock growers and farmers in this district were not able to obtain rediscount privileges, and he openly denounced the attitude of the bank in "depriving the agriculturists of these privileges." Senator Capper was astounded however, when Governor Miller assured him that of the member banks of the Tenth District, only one-third had to that date discounted to an amount anywhere in the proximity of their basic line, that another one-third had rediscounted to a small extent only and the remaining one-third had borrowed nothing from the Federal Reserve Bank. This assertion from Governor Miller backed by records, changed the attitude of the conference and laid the burden of responsibility upon the various banks in the agricultural district rather than upon the Federal Reserve System or any Federal

Reserve Bank. As an indirect result of this exposé of the Bank situation, the organization later known as the Stock Growers Finance Corporation was formed out of this meeting.

Through the assertion of Governor Miller that it was the city bank and not the country bank that rediscounted to the farmer and stockmen, there grew up also out of this meeting the joint agriculture inquiry into the effect of reducing loans of city banks and allowing a surplus of loans to be released to the country banks where the greatest amount of good could be done for the agriculturist.

Governor Miller made his report on this conference to the directors at their meeting of June 9th and stated that the Stock Growers Finance Corporation would doubtless soon relieve the situation which the Federal Reserve Act would not allow the bank to relieve.

Also at the June 9th meeting was voted a final bonus to employes for the relief of the high rent and high price situation growing out of the recent war. This bonus was paid on June 23rd as follows:

16% of one-half year's salary to and including a yearly salary of $1500.
12% on more than $1500 and including $3,000 per year.
8% on salaries more than $3,000 and including $5,000 a year.

Misfortune to Agent Ramsay.

The meeting of June 9th was adjourned at 12:35 P.M. and while Governor Miller and Chairman Ramsay were at lunch, word was received at the bank that Ballauf Ramsay, 17½ years old, eldest son of Chairman Ramsay, had been a victim of a mishap while swimming in Indian Creek at Dallas, Missouri. He had entered the stream with some classmates from Rockhurst College and his body had disappeared in the current. Chairman Ramsay, Governor Miller and Director Gibson were rushed to the place, joined a search for the body and succeeded in finding it, although more than an hour after the drowning. The funeral services were held on Sunday, June 12, 1921, the body being placed beside that of the younger brother who had previously been a victim of influenza.

Resolutions of sympathy were adopted by the Directors at a meeting of June 23rd and an engrossed copy sent to Mr. and Mrs. Ramsay.

PERMANENT BRANCH PROPERTY.

On June 23rd the directors voted to negotiate for the purchase of lots in Oklahoma City and in Denver for the construction of buildings to become the permanent homes of these branch banks. The motion carried a proviso that the purchase price should not exceed $75,000 in Oklahoma City, nor $150,000 in Denver. Directors Mitchell and Malone of Denver were appointed as a special committee to negotiate for property in Denver. Director Malone, Chairman of the Committee, reported to the directors on August 11th, that an option to purchase for $350,000 lots 13-14-15-16 of Block 175, Eastern division of Denver, had been signed by the owner, Margaret P. Campbell. A map showing these lots and other available lots in Denver was inspected by the directors after which Director Bailey moved that the Campbell offer be submitted to the Federal Reserve Board for approval. This motion was carried.

A letter from Governor Harding was read to the directors on September 22nd, in which he stated that the Board would not approve of this purchase at that price and the directors instructed Governor Miller and the committee to obtain an option at $100,000 for lots 17 to 24 inclusive, and one-third of lot 25, being 207½ feet fronting on Curtis Street and 125 feet fronting on 18th Street in Denver, and submit this option to the Federal Reserve Board. This option was finally approved by the Board and the purchase was made.

In the meantime there was purchased as a site for the Oklahoma City branch building, three 25 foot lots, numbers, 17-18-19 in Block 37, southeast corner of Third and Harvey streets in Oklahoma City.

The purchase price was $65,000. The owners were W.F. Harn and wife.

Plans for both the Denver and Oklahoma City buildings were drawn and builders selected soon after the purchase of the lots was made. Full details of these lots and buildings will be found beginning page ____ for Denver and page _____ for Oklahoma City.

T. Gordon Sanders who had been made Branch Auditor at Omaha, was elected on June 23rd, Assistant Auditor at the head office.

Another change affecting the Omaha Branch was the promotion of William Phillips, Chief Clerk of the branch, to Assistant Cashier of the same branch.

Also at the June 23rd meeting the Board of Directors ratified a recent resolution passed by the Governor's conference for the bank to absorb the Fiscal Agency Department after July 1st, 1921. This move virtually merged the Government's department of the bank with the bank proper.

Approve Pension Bill

The Conference of the Federal Reserve governors held in the summer of 1921, had appointed a committee on pensions, the chairman of which was E.R. Kenzel of the New York bank. On July 14th, Governor Miller read a letter from Mr. Kenzel reporting on the status of a pension bill for employes of government institutions. Following the reading of this letter and a short discussion by the directors, a resolution was adopted approving the pension bill then pending before Congress to establish a Federal Reserve pension fund in order to provide pensions for employes of the bank, members of the Board of Directors, the Agents and their dependents. The resolution also determined that the Kansas City bank would operate under this fund if it became effective as it then stood.

OIL MEN COMPLAIN.

As a matter of financing, the officers of the Kansas City bank had consistently maintained the attitude that "settled production" of oil wells was not a real security for oil paper when not accompanied by other security. As a result of this course, considerable criticism was raised in the oil fields of Oklahoma and Kansas and complaints from these localities had been made to the Federal Reserve Board at Washington, stating in effect that the Kansas City bank was discriminating against the oil industry.

The first action taken by the directors in relation to this matter was on July 14th following the reading of correspondence between Governor Miller of the bank and Governor Harding at Washington. This correspondence also related to paper secured by mortgages on growing crops. After a discussion of this correspondence a resolution was adopted in which the directors of the bank assumed full responsibility for the bank's ruling on these subjects.

Appeals continued to come to the bank from the Oklahoma oil fields and a special meeting of the board was called on July 21st for July 23rd, to meet with representatives of the oil industry for a conference on the subject of rediscounting oil paper. There were present at this meeting Governor Miller, Directors Ramsay, Bailey, Gibson, Mullaney and Fleming.

At a preliminary directors ~~this~~ meeting Governor Miller read to the directors a report of a conference between the Federal Reserve Board and the governors of the Federal Reserve banks of Richmond, Atlanta, St. Louis, Kansas City and Dallas concerning particularly the cotton situation. He stated that the Federal Reserve Board would soon make an announcement on possible changes in the ruling relating to cotton paper.

The committee of oil men were met at the Hotel Muehlebach. The following men represented the oil industry:

Wm. Mee	Oklahoma City
C. L. Davidson	Wichita
L.E. Phillips	Bartlesville
Geo. L. Browning	Oklahoma City
Fred C. Carr	Ardmore
L.K. Meek	Ponca City
Wirt Franklin	Ardmore
J.W. Richardson	Ardmore
R.P. Brewer	Tulsa
R.L. Beattie	Bartlesville
Dohlman	Ardmore
F.W. Bryant	Tulsa
C.R. McCullough	Tulsa
W.A. Brownlee	Tulsa
C.E. Daniel	Oklahoma City
J.Y. Murray	Tulsa

In opening the conference, Chairman Ramsay of the directors, announced that the Federal Reserve Bank of Kansas City had endeavored to deal impartially with the business interests of the district, and that its ambition was to assist every worthy industry and enterprise, guided only by the best business judgment in how far it would be safe to proceed with this help. The bank realized the importance of the oil industry but was bound by the Federal Reserve Act to use caution and restraint and to guard the reserves of the institution, making only such loans as were advisable and had sufficient security.

The Chairman invited discussion of the consessions desired by the oil industry. There were so many suggestions made by members of the oil delegation and so many classes of oil paper presented in this discussion, that the directors and delegates realized it would be extremely difficult to come to any conclusion at that meeting. The universal request seemed to be that the bank should consider settled oil production and oil well supplies on hand as quick assets.

The directors suggested that a committee be selected among the oil delegates to reduce to writing their arguments on these points and present them to the Board at a later meeting. This was done and the meeting was adjourned.

As a result of the conferences with representatives of the oil industry, the bank complied in part with their request as shown by the following form letter from the bank to various banks applying for rediscount privileges for oil paper:

> "As the result of conferences between our Executive Committee and a committee representing banks making a specialty of oil loans, modified regulations in respect to determining the liquidity of financial statements were adopted, at least for the present, as follows:
>
> "FIRST: That, when considering the financial statement of an oil producer whose note is offered for discount, a reasonable valuation of 90-days "settled production" will, in our analysis, be deducted from the fixed assets and added to the quick or liquid assets. It will be necessary, however, for a member offering notes of an oil producer whose statement, to appear liquid, requires his settled production to be taken into consideration, to certify in writing the value of such "settled production."
>
> "SECOND: That, 60% of the reasonable value of new material and supplies on hand,(excepting machinery), will be considered quick or liquid assets. It will be necessary, however, that authenticated information be furnished by the producer and transmitted by the member making the offering in respect to the quantity, character and value of such new material and supplies. The right to call for, examine and verify the original inventory, or to make such further inquiry concerning material and supplies as may be deemed advisable, is reserved.

"Please bear in mind that individuals, firms and corporations producing oil should make no change in the method of preparing financial statements, but should be guided by the provisions of General Letter No. 284 as heretofore, and the figures shown should be prepared in the manner indicated therein. Such statements should not undertake to show the value of "settled production," nor any division of the value of "material and supplies." Information desired in connection with "settled production" and "material and supplies" should be given in the form of separate memoranda as stated above; and from such information the adjustments referred to herein will be made by us on our credit analysis records."

Suspend Progressive Rate.

The progressive discount rate which had caused so much discussion both before and after it was adopted by the Kansas City bank, was suspended on August 1st, 1921. The action suspending it was taken at a meeting of the Board on July 23rd, when a letter from Governor Harding was read in which the Federal Reserve Board suggested that since financial conditions had improved, the Kansas City bank might well suspend the application of the rate until it should again be needed as an emergency measure.

Grain Rate Hearing.

The directors of the bank on August 11th, appointed Chairman Ramsay to represent the bank at the hearing of the Western Grain Rate Case before the Interstate Commerce Commission in Washington.

This was done at the instigation of Clyde Reed of Topeka, Kas., chairman of the Kansas State Railroad Commission. The hearing was in the form of a complaint caused by the current railroad rates. This complaint was made by the Kansas Railroad Commission, joined in by 20 other states and their various grain producers and associations.

Mr. Ramsay testified August 15th, that business and financial conditions in the Tenth District were vitally affected and considerably harmed by the present high cost of production and disposition of agricultural products and also the prevailing low prices. Mr. Ramsay's testimony was further to the effect that the assets of Western banks were frozen to a large extent and that interest burdens on the farmers in this territory had been increased approximately 11 per cent, due to the inability to market the old crop at anything but a loss or to weather the financial condition until a new crop could be harvested.

-THE McKELVIE INCIDENT-

The movement beginning in Nebraska which had for its apparent reason the alteration of certain rules governing the operation of the Federal Reserve Bank of Kansas City, but which bore evidence of being inspired as an attack upon the management of the bank by certain bankers and politicians, arose during October, 1921. While it was followed aggressively by Nebraskans for a few weeks, the criticisms were made squarely against the officers and directors of the bank, and the matter has since been termed " The McKelvie Incident" , the attack having fallen completely after a meeting was held at Omaha in which the operation of the bank as pertaining especially to agricultural and live stock paper, was fully explained.

On October 25th there was received at the bank a lengthy communication transmitted by C.E. Burnham, president of the Norfolk National Bank and until a few months previously a director of the Federal Reserve Bank. Mr. Burnham sent the communication as chairman of a committee appointed by Governor Samuel R. McKelvie of Nebraska, at a conference of bankers and financers recently held with the Governor. This committee was directed to seek to obtain a number of concessions for farmers and stock-growers in Nebraska.

Among the accusations made against the Tenth District bank were the following:

That the Kansas City Bank is the most " cumbersome, inquisitorial and technical bank for rediscount of any of the Federal Reserve Banks;" that the "financial statements are also uselessly inquisitorial and objectionable;" that the Kansas City Bank " has been a law unto itself in regard to rules, regulations and forms;" that if the rules as to the discounting of farming and live-stock paper "had been adjusted to meet conditions, there would not have been any occasion for the War Finance Corporation to function in this regard;" that the Kansas City Bank "encouraged bankers to sell Liberty Bonds at a discount and reduce their obligations to the Federal Reserve Bank, with the result that the bonds of the government were thereby further depreciated in value, which resulted in aggravation of the credit situation;" that paper which the Kansas City Bank was "rejecting for rediscount for reasons alone that instruct 'finance paper', regardless of the financial standing of endorser and maker, is being received for rediscount from member banks in other districts without any objections whatever."

The communication ended with the following statement:

"Under no circumstances do we advocate the cheapening of the security of the Federal Reserve Bank but we do think that the rules and regulations governing agricultural and stock raising districts should be different from those covering districts wherein the principal industries are jobbing, manufacturing, shipping and export trade."

The manner in which this communication was dealt with can best be related by the following letter which Chairman Ramsay sent the following January to Governor Harding:

> "You are advised that Governor McKelvie of Nebraska, following his correspondence with you, appointed a committee composed of C.E. Burnham of Norfolk, Nebraska, formerly a director of this bank, Dan V. Stephens, President of the Fremont State Bank, B.A. Wilcox, Vice President of the Omaha National Bank, J.E. Hart, Bank Commissioner for Nebraska, and John M. Flannagan, President of the Citizens State Bank of Stewart, Nebraska, to endeavor to obtain from the Federal Reserve Bank of this district and its branches more liberal rules and regulations as to rediscounting of agricultural and commercial paper, etc.
>
> That committee met and passed resolutions addressed to the directors of this bank, a copy of which we are enclosing. Instead of replying to these resolutions our board decided it would hold one of its regular meetings at Omaha and invite the committee to be present and furnish specific complaints instead of a general criticism. November 22nd was the day set and Governor McKelvie's committee duly invited.
>
> A week or ten days before the date set for the conference we learned through newspaper clippings sent to us from various parts of Nebraska that a movement had set in, originating at Fremont, the home of one of the committeemen, Dan V. Stephens, for the commercial clubs throughout the state to send representatives to the Omaha meeting above referred to.

Mr. Thomas C. Byrne, director of this bank, residing at Omaha, suggested that, inasmuch as representatives from various commercial bodies would likely attend our meeting, it might be a good opportunity to have representatives from all the member banks of the zone served by the Omaha Branch also attend, and invitations were accordingly issued.. Out of a membership of 199 in Nebraska about 158 members had representatives present.

When the 'committee' learned from our directors, upon their arrival at Omaha, that a public meeting was intended, the 'committee' suggested to our directors that insofar as the questions set out in the resolutions adopted by it were concerned, a meeting in private would be preferable, which was entirely satisfactory to our directors and the meeting was so held.

While the 'committee' and our directors did not reach a unanimous agreement on just what the Federal reserve bank could and should do under the provisions of the Act, the discussion brought out many of the difficulties of complying with all of the demands of the 'committee'. At the conclusion of the conference we were under the impression that at least a very much better understanding existed and that all parties to the conference were satisfied. No criticism of our Omaha Branch has been brought to our attention since the meeting and we were rather surprised at the contents of Congressman Evans' letter to you.

At the close of the private conference requested by the 'committee', those attending it repaired to the banquet hall of the Fontenelle Hotel where a luncheon was served to approximately 200 guests of the Omaha Branch. Governor Bailey addressed the representatives of our members present, going into some detail as to just what the Federal reserve banks can and cannot do, and generally pleading for co-operation on the part of member banks to make the System a success."

Yours very truly,

(Signed) Asa E. Ramsay

Chairman.

The letter from Congressman Evans of Nebraska to Governor Harding, referred to in the above letter, was virtually the last time any one in an official capacity showed inclination to add fuel to the flame in Nebraska which died out with the close of this conference by the committee in Omaha. Like other instances where criticism of the Federal Reserve System was indulged in, the case was effectively cured by a simple treatment of facts.

The condition of the bank as to capital, surplus and profits at the close of the year 1921 as read by Chairman Ramsay to the directors at the final meeting of the year, Dec. 19th. was as follows:

Capital stock paid in	$4,593,800.00
Surplus	9,330,167.01
Undivided profits	1,525,648.64
Less dividend for 6 months, ending Dec.31, 1921-	134,831.79
Undivided profits net	1,390,816.85

The directors at this same meeting authorized the officers, after they had paid the semiannual dividend, to charge to profit and loss account the net remaining undistributed and to credit such amount as follows:

Reserved for losses	$200,000.00
Surplus	292,300.00
Surplus (estimated)	81,052.29
Franchise Tax(estimated)	729,470.58

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R.H. MALONE RESIGNS

The Directorate of the bank changed in January, 1922 in only one instance. This was the appointing of Heber Hord of Central City, Nebraska, to succeed R.C. Malone, who had been appointed a Class C director at the organization of the bank. Mr. Hord attended his first meeting on January 12th. The greater part of the forenoon of the meeting was occupied by the reading of the annual report by Governor Miller for the year 1921. In the afternoon session the election of the officers of the bank was held in which the present officers were re-elected. L.H. Earhart was re-appointed manager and director of the Omaha branch at a salary of $9,000 a year. The other officers of the Omaha branch and the officers of the Denver branch were re-appointed at their former salaries.

Further official changes were the increase of the salary of R.O. Wunderlich, cashier of the Oklahoma City branch in the amount of $300 a year, the increase of the salary of A.M. McAdams, assistant cashier from $4,000 to $4,500 per annum and the paying of $900 per year salary to C.K. Boardman for services as secretary to the directors.

Up to January 26, 1922, the Federal Reserve Bank of Kansas City could not entertain visiting bankers except at the personal expense of various officers or directors. As commercial banks had long since formed the custom of entertaining bankers at luncheon in order to make them more familiar with the institutions, the directors of the Federal Reserve Bank at the January 26th meeting, decided their institution should follow this custom in order to give more direct attention to the banks and bankers served in this district by the System. The directors consequently authorized the bank to furnish the noon meal to visiting guests of directors and officers, and also to the directors attending the regular board meetings and to the alternating members acting on the executive committee.

Federal Reserve Bank Group Meeting.

On February 23, 1922, there was held a group meeting of the Federal Reserve banks of Cleveland, Minneapolis, Dallas and Kansas City. Besides the governor, Federal Reserve Agent and directors of the Kansas City bank, this meeting was attended by Governor Harding of the Federal Reserve Board and the following representatives of the other three banks: D.C. Wills, Federal Reserve Agent and E.R. Fancher, Governor, Cleveland; John H. Rich, Federal Reserve Agent and R.A. Young, Governor, Minneapolis and W.F. Ramsay, Federal Reserve Agent and B.A. McKinney, governor, Dallas.

Governor Harding opened the meeting with a discussion of rediscounting relations, emphasizing the importance of rediscounting banks offering new paper endorsed by first class banking institutions. Other topics discussed were building programs of various banks as effected by pending legislature, the Federal Reserve Exchange, the handling of confidential reports, examination of national banks, the typing of examination reports, the relation between war finance and Federal Reserve Banks, penalties for deficient reserves, issuance of new and used currency and financial statements.

At the meeting of March 9th, Chairman Ramsay read a letter from R.H. Malone of Denver expressing his thanks to the directors and the Governor for the engrossed copy of resolutions passed at the meeting of January 12th.

In the meeting of March 23, the discussions by the directors leaned heavily toward the topic of providing adequate buildings for the Denver and Omaha branches. It was at this meeting that a letter from Governor Harding was read expressing a decision that no objection would be raised to the bank proceeding with plans for a building at Denver on the site which had recently been purchased. The directors, having been well satisfied with the excellent work of the firm of architects, Graham, Anderson, Probst & White in constructing the Kansas City building, voted to employ this firm as architects of the Denver branch, provided the firm would employ at its expense as associate architects, some Denver firm to be named by the building committee.

During the discussion of branch buildings, Director Gibson submitted a report of the conditions of the branch building at Omaha, in which he favored the exchange of the building and lot for a vacant lot at the corner of Seventeenth and Dodge streets, on which lot he suggested the bank should erect a new building. However, on June 9th, at a conference held in Omaha between Chairman Ramsay, Governor Miller and Director Mitchell representing the Board, the matter was again taken up and the opinion was expressed by Director Mitchell that the directors would not at that time be in favor of this exchange of property.

Uncover Governors' Portraits.

At the director's meeting of April 13th, the portraits of Governor J.Z. Miller and Ex-governor Sawyer were uncovered before the directors, the ceremonies being in charge of Director Fleming chairman of the committee on portraits. These portraits were done by Charles Bennell, a French artist who had been selected for this purpose and for whom Ex-governor Sawyer had sat at Los Angeles previous to the sitting by Governor Miller at the bank.

Endorse Governor Harding.

A resolution offered by Director Bailey at the May 25th meeting, was directed to the Secretary of the Treasury with the request that it be brought to the attention of the President of the United States, endorsing Governor Harding of the Federal Reserve Board, and calling for his re-appointment as governor for the following reasons: That he had carried on a splendid work during the trying years through which the country had recently passed, that he knew the law, possessed fine executive ability, had inspired confidence in the Federal System, and that his re-appointment at the present time would remove the System from the suspicion of politics and thereby lend to the successful administration of the System. This resolution was seconded by Director Mitchell and unanimously passed some three months before Governor Harding's term expired.

At this meeting a building committee for the Denver branch building was authorized to exchange the lots recently purchased at

Eighteenth and Curtis streets for four lots on Seventeenth and Arapahoe streets.

When in the summer of 1922 the normal rate of interest at the Federal Reserve Bank of Kansas City was reduced from 6 per cent to 5 per cent, it was perhaps natural that a number of banks who were rediscounting quite heavily with the System at the 6 per cent rate, were anxious to obtain the benefit of the reduction. These banks applied to the Federal Reserve Bank for permission to pay off these 6 per cent notes and on the same day make new rediscounts on the same paper at the 5 per cent rate. The Federal Reserve Bank, when the matter was brought to its attention, was inclined to allow this to be done. The governor of the bank however, in bringing the matter before the directors, pointed out that such procedure would be in a manner unfair to institutions which had paper that was virtually ready to be retired. However, on June 22nd this acute situation having been passed, the governor advocated the rebating of interest on paper paid before maturity and refund the unearned discount at the current rate of the bank at the time the paper is retired. This action it was believed would provide an equitable solution to similar problems in the future.

Governor Miller Resigns.

When J.Z. Miller, Jr. resigned his office in the National Bank of Commerce, and disposed of numerous bank holdings in order to become a Class C director and Federal Agent of the Federal Reserve Bank of Kansas City at its organization, he did so at a financial loss in order to, as he himself expressed it, give a greater service to the nation. It was true numerous other bankers who accepted similar positions at the request of the Treasury Department and the Federal Reserve Board did the same as Governor Miller. He had many ambitions for the new bank, one of them was the erection of the splendid building in which the bank was housed November 16, 1921. Opposition to the erection of the new building only increased Governor Miller's ambition to put it through to the height which he and the Board had decided was the proper height.

When the bank had become properly housed in the new building, and the various departments were working harmoniously and with adequate room and working facilities, Governor Miller's greatest ambition was achieved, and he began looking forward to a vacation of which he had deprived himself during his connection with the bank. His close friends had many times urged him to take an extended vacation, but he had deferred this until such time as he could relieve his mind of the many responsibilities connected with his position.

With the beginning of 1922 however, he began gradually to pass on to others many of the matters requiring official decision and in the meantime planned a trip to Europe with his wife and daughter.

At the directors' meeting of June 22nd, Governor Miller reminded the directors that he had served the institution for about eight years, the first two years of whichthe System was untried, and later was subjected to a supreme test by the world war, that he now felt the need of a rest and that he desired at that time to sever his connection with the bank.

In handing Chairman Ramsay his resignation he thanked the Board for the hearty cooperation and many courtesies which he had received from every member. His resignation follows:

"JUNE TWENTY-SECOND,

- 1 9 2 2 -

"TO THE CHAIRMAN and BOARD OF DIRECTORS,
of the FEDERAL RESERVE BANK OF KANSAS CITY:

Gentlemen:

"I hereby tender my resignation as Governor of this bank.

"In doing so I wish to express the deepest gratitude to each of you for your earnest co-operation and the many courtesies and kindnesses shown me during our association.

Sincerely,

(Signed) J.Z. Miller, Jr. "

It was moved by Director Fleming and seconded by Director Hord and carried by the directors that the resignation be accepted with regret, to take effect July 1st, 1922. Thereupon the Board unanimously adopted the following resolution:

"WHEREAS, Governor J.Z. Miller, Jr. has this day tendered his resignation as Governor of the Federal Reserve Bank of Kansas City, and the same has been accepted, and

"WHEREAS, Governor Miller has served this bank for the past eight years, during which time he has had no vacation and during which time he has been tireless in his efforts to bring the bank up to its present efficient condition, "THEREFORE, BE IT RESOLVED, That in consideration of the eminent service Governor Miller has rendered this bank during the trying years of the past, he be allowed three months' salary after his retirement as an expression of the appreciation of this Board for the great work he has accomplished."

W.J. Bailey becomes Governor.

At the same meeting at which Governor Miller resigned, Director Fleming moved that Willis J. Bailey, former Governor of Kansas and a director of the bank since its organization, be appointed governor for the unexpired term of Governor Miller's office, and subject to the approval of the Federal Reserve Board at the same salary of $20,000. This appointment to be effective July 1st. The motion was seconded by Director Byrne and unanimously carried.

In accepting the appointment Governor Bailey spoke as follows:

"Gnetleman of the Board:

"Language is inadequate for me to express to you the sincere appreciation that I feel for the great honor you have just done me in making me the Governor of this bank, and having come to me unsolicited, intensifies that feeling. I now promise you that I will give to this great position the best that is in me, in order that I may prove worthy o f your confidence and respect. - - - - -

"Governor Miller:- I take this occasion, in the presence of this Board who are and have been your loyal friends and supporters, to acknowledge the many courtesies and the consideration I have received at your hands. My close association with you as a director in this bank has been an inspiration and a great education to me.

"I cannot expect to measure up to the full measure of the record you have made; this magnificent building constructed under your guiding hand and the record of achievement in bringing the bank up to its present efficiency is your monument to last through the years that are to come.

"For myself and for this Board, I ask for your friendly cooperation and advice and I want to feel that I can go to you as you have come to me, but I expect to get much more from you than you received from me on account of your larger experience and the great ability we all know is yours.

"Gentlemen, I again thank you!"

Subsequent to his resignation, Governor Miller received from Governor Harding of the Federal Reserve Board, the following letter which was made a part of the minutes of the bank at its meeting of July 13th.

"Dear Governor Miller:

"I have just returned from a visit to Boston and find on my desk your letter of the 22nd instant. I was very much surprised and disturbed a few days before I left for Boston to learn of your contemplated resignation, which I understand was tendered and has been accepted, effective July 1st, at which time Governor W.J. Bailey will succeed you.

"I am glad to know that at last you are going to take a rest and that you will spend a few months in Europe with your family. You have done a monumental work for the Federal Reserve System and I have often wondered what kind of a constitution you had in order to keep on the job almost from dawn to dark all these years that you have. I shall bring your letter to the attention of the Board tomorrow and wish to say now that I appreciate your firmness and strength of character, and that you have handled an immense job in a big way. You have been unmoved by clamour and criticisms and you have the satisfaction of leaving the Federal Reserve Bank of Kansas City well housed, well organized and in a strong position. I shall always look back with pleasure to my association with you and wish to thank you for the uniform courtesy that you have always shown me, and for your hearty co-operation during the trying times through which we have just passed.

"With warm regards, I am

Sincerely yours,

(Signed) W.P.G. Harding."

Minor changes in bank.

Governor Bailey who had since his first election as governor of Kansas in 1902 been known throughout the middle west as "Governor" Bailey, attended his first meeting as governor of the bank on July 13, 1922. His first report to the Board as governor, dealt with the usual topics of condition of the bank and the district,and in addition brought up the subject of the rental of floors in the bank building, which rental had not progressed as rapidly as the bank had anticipated. The Board voted to grant Hughes Bryant, the bank's agent, discretionary powers to grant concessions to prospective tenants, provided these concessions would not conflict with any leases already made.

At this meeting the following resolutions concerning the co-operative store in the bank was adopted:

> "WHEREAS, the grocery store known as the Glendale Mercantile Company, now operated by and under the supervision of the Federal Reserve Bank, was organized at a time when food necessities were at the very highest and for the purpose of enabling the employees of this bank to purchase same at lower prices than were being offered by the regular retail stores, and,
>
> "WHEREAS, food prices have resumed a more normal level and the store is not being patronized to the extent of justifying the amount of expense necessary to carry it on,
>
> "THEREFORE, BE IT RESOLVED, That as quickly as practicable the stock on hand be closed out and the store discontinued."

At this meeting the salaries of five officials of the three branch banks were increased as follows:

Omaha Branch: Wm. Phillips, Ass't. Cashier from $3300 to $3600 per year;
Denver Branch: Joseph E. Olson, Cashier, from $4000 to $4800 per year;
A.J. Conway, Ass't. Cashier from $3300 to $3720 per year;
Oklahoma City Branch: R.O. Wunderlich, Cashier, from $3600 to $3900 "
R.L. Mathes, Ass't. Cashier, from $2700 to $3000 per year.

Strike affects business.

By mid-summer of 1922 when normally the moving of the wheat crop, contemporary with stimulation of other business in the Southwest, would have required additional capital resulting in rediscounts at the Federal Reserve Bank, the whole country was ready for a business revival which apparently was about to materialize. However, during June there was smouldering in this country a dissatisfied feeling among the railroad shopmen which resulted in a general shopmen's strike on July 1st, which continued throughout the month and into August to the detriment of business in general. The coal strike was also still unsettled until late summer. Partly as a result of these strikes and partly as a result of uncertain conditions in Europe, business and international commerce took on a noticable slowness as well as a retarded movement of new investments. These things were reflected during the summer at the Federal Reserve Bank, where rediscounts continued to slacken and the reserve to increase.

One of the marks of this condition was the lowering of the rediscount rate in all of the Federal Reserve Banks of the country. It was at the meeting of August 10th that Chairman Ramsay read his letter of July 28th to the Federal Reserve Board in regard to the bank's rediscount rate, and also a letter from Governor Harding of the Federal Reserve Board dated August 1st, in which it was stated the bank would approve a discount rate of 4½ per cent for the Federal Reserve Bank of Kansas City, and also called attention to the minimum rate of this bank of 5 per cent for the purchase of banker's acceptances as compared with minimum rates of other banks from 2½ to 3½ per cent. After a discussion Director Hord moved that the rediscount rate be reduced from $5\frac{1}{2}$ to $4\frac{1}{2}$ per cent, effective August 12th, and that the bank authorize the minimum rates for the purchase of banker's acceptances at 3 per cent. This motion was carried.

Discuss Hitchcock Bill.

Senator Hitchcock of Nebraska, having introduced in Congress a bill authorizing the expenditure of an amount of money equal to 3 per cent of the combined capital and surplus of the Federal Reserve Bank of Kansas City for the erection of a branch bank at Omaha, the bank's directors at their meeting of August 24th discussed this bill and were virtually unanimous in the opinion that the 3 per cent mentioned would not be adequate to build a suitable building for the branch, the amount being only $426,348.95 at that time. The directors, therefore, passed a resolution authorizing Governor Bailey to communicate with the Federal Reserve Board and request its co-operation in the interest of having Congress permit the expenditure of $50,000, for the branch bank at Omaha. At the above meeting the directors voted to fix the salary of Counsel James E. Goodrich at $5,000 per year in lieu of his present salary and fees.

For Clearing House Offices.

Governor Bailey presented to the directors on August 24th, the proposal to rent floor space in the Federal Reserve Bank building to the Kansas City Clearing House Association. It was agreed by the directors that it would be of benefit to the bank to have the Clearing House inside its building, and therefore a motion was made and carried to the effect that Federal Reserve Agent Ramsay be authorized to close a contract with the Kansas City Clearing House Association for rental of floor space.

A P P E N D I X

TABULATION OF DATA PERTAINING TO THE OPERATIONS OF THE BANK.

INTERESTING FACTS PERTAINING TO THE FEDERAL RESERVE BANK BUILDING, ITS SITE ETC.

HISTORY OF THE BRANCHES.

COMPARATIVE STATEMENTS

Of Various Conditions and Operations of the Federal Reserve Bank of Kansas City at the Close of Each Year Since its Organization.

-Area and Population of Tenth District-

State	Square Miles	Population 1910	Population 1920
Colorado	103,658	799,024	939,376
Kansas	81,774	1,690,949	1,769,257
(1) Missouri	10,509	760,950	818,252
Nebraska	76,808	1,192,214	1,295,502
New Mexico	47,302	139,610	153,294
Oklahoma	62,786	1,516,662	1,825,234
Wyoming	97,548	145,965	194,402
Total	480,385	6,245,374	6,995,317

-Earnings and Expense-

Gross Earnings 1915*	$ 103,360.29	
" " 1916	364,966.67	
" " 1917	958,301.68	
" " 1918	3,451,936.13	
" " 1919	4,961,481.91	
" " 1920	7,409,987.31	
" " 1921	5,712,858.33	
Total Gross Earnings		$22,962,892.32
(a) Operating Expenses 1915*	$ 126,840.35	
" " 1916	183,398.42	
" " 1917	313,958.68	
" " 1918	695,805.25	
" " 1919	1,185,966.36	
" " 1920	1,857,726.51	
" " 1921	2,411,078.94	
Total Operating Expenses		$ 6,774,774.51
Net Earnings From Operations: Since organization (Nov. 16,1914)		$16,188,117.81

(*) Includes November and December, 1914.

-Dividends Paid-

	7-13-16	for Period	11-16-1914 to 6-30-15.	$ 66,706.96
	1-25-17	" "	7-1- 1915 to 12-31-15	92,188.25
	6-30-17	" "	1-1- 1916 to 6-30-16	89,116.93
	12-31-17	" "	7-1- 1916 to 6-30-17	183,197.54
	6-30-18	" "	7-1- 1917 to 6-30-18	201,795.20
	12-31-18	" "	7-1-1918 to 12-31-18	107,934.05
	6-30-19	" "	1-1- 1919 to 6-30-19	111,811.73
(b)	12-31-19	" "	7-1-1919 to 12-31-19	116,943.77
	6-30-20	" "	1-1- 1920 to 6-30-20	125,088.86
	12-31-20	" "	7-1-1920 to 12-31-20	132,583.66
	6-30-21	" "	1-1-1921 to 6-30-21	133,787.20
	12-31-21	" "	7-1-1921 to 12-31-21	134,832.58

Total Dividends Paid . . . . $ 1,495,986.74

D i s c o u n t O p e r a t i o n s

-Number of Member Banks-

State	1914	1915	1916	1917	1918	1919	1920	1921
Colorado	124	121	122	122	127	132	145	146
Kansas	214	219	224	233	243	253	271	275
Missouri	52	53	54	55	57	61	58	56
Nebraska	218	208	193	192	200	207	210	202
New Mexico	10	9	9	9	12	13	13	15
Oklahoma	186	309	305	311	316	321	340	358
Wyoming	33	33	36	36	39	45	50	51
Total	837	952	943	958	994	1032	1087	1103

-Number of Banks Accommodated-

(d)

State	1914	1915*	1916	1917	1918	1919	1920	1921
Colorado		18	16	39	76	79	114	105
Kansas		55	44	83	100	124	171	211
Missouri		23	12	31	30	35	45	54
Nebraska		71	37	44	105	173	192	169
New Mexico		1	3	6	8	7	12	13
Oklahoma		101	75	159	213	235	257	329
Wyoming		5	2	2	22	26	35	39
Total		274	189	364	554	679	826	920

* Includes November and December, 1914.

-Offerings Accepted-

(e)

State	1914	1915	1916	1917	1918	1919	1920	1921
Colorado			44	65	1060	1590	3092	3615
Kansas			223	172	1392	2813	4210	3939
Missouri			74	124	977	1883	3041	2262
Nebraska			147	173	1649	3886	7052	8121
New Mexico			19	15	116	168	202	338
Oklahoma			351	336	3832	5588	5169	7351
Wyoming			4	9	214	96	688	1137
Total			862	894	9240	16024	23454	26763

-Open Market Transactions-

Bankers' Acceptances purchased in open market and acquired from other F.R. Banks.

1916	1917	1918	1919
$ 8,191,082.48	$ 26,825,413.10	$ 33,166,769.75	$ 71,700,185.59

1920	1921
$ 22,222,971.18	$ 5,557,792.00

(f)

Municipal Warrants, Purchased

1916	1917	1918	1919
$ 1,946,840.70	431,138.89	None	None

1920	1921
None	756,000.00

-United States Securities Purchased-

Total -

1915	1916	1917	1918
$ 2,151,650.00	$ 8,362,500.00	$ 3,775,640.00	$ 11,128,750.00

(g)

1919	1920	1921
$ 31,792,350.00	$ 128,078,650.00	$ 8,949,500.00

-Total Clearings-

	Total Number of All Items Handled	Total Amount of All Items Handled
1914 (December only)	75,633	$ 38,642,708.79
1915	1,983,986	710,190,987.50
1916	3,214,813	1,536,507,820.96
1917	3,982,830	3,215,181,258.27
(1) 1918	12,075,372	7,553,186,851.75
1919	28,370,834	9,856,767,302.38
1920	53,881,602	13,011,582,140.00
1921	58,520,078	9,090,746,338.00
	162,105,148	$45,012,805,407.65

DISCOUNT RATES OF THE FEDERAL RESERVE BANK OF KANSAS CITY, 1914-1921.

Dates on which rates were put into effect.	Character of paper and maturities.							
	Commercial, agricultural, and live-stock paper.						Agricultural and live-stock paper over 90 days	Commodity paper within 90 days
	Within 10 days	11 to 30 days	Within 15 days	16 to 30 days	31 to 60 days	61 to 90 days		
1914-Nov. 16	6	6			6½	6½	6½	
Dec. 4					6	6	6	
Dec. 15	5	5			5½			
1915-Jan. 8	4½	4½			5	5½		
Jan. 28	4	4			4	4½	5½	
Feb. 17								
June 18							5	
Aug. 13						4		
Oct. 4								3
Dec. 2	3½							
1916-Apr. 12	4	4½			4½	4½		
July 24	4½							4
Sept 18	(2)	(2)	4	4½				
1917-May 7								
May 28								
Nov. 5								(3)
Dec. 3								
Dec. 21								
1918-Apr. 8				4¾	4¾	4¾		
May 20			4½	5¼	5¼	5¼	5½	
Sept 20				5	5	5		
Oct. 1								
1919-Apr. 26								
June 19								
Sept. 3								
Nov. 4			5					
Nov. 12								
Dec. 15								
1920-Jan. 3			5½	5½	5½	5½	6	
Jan. 23			6	6	6	6		
Feb. 6								
Feb. 26								
Apr. 1								
July 3								
Sept. 28								
1921-July 1								
Nov. 2			5	5	5	5	5	

1 Treasury notes first issued as of June 15, 1921.

2 Discontinued

3 Rates merged with those applicable to commercial paper of corresponding maturity.

4 The 4 per cent rate applied only to paper secured by fourth Liberty loan bonds, where the paper rediscounted with the Federal Reserve Bank was taken by the member bank from its customer at a rate not exceeding the coupon rate of the bond.

5 Applies only to member banks' collateral notes.

DISCOUNT RATES OF THE FEDERAL RESERVE BANK OF KANSAS CITY, 1914-1921.

Rates on which rates were put into effect.	Character of paper and maturities - Continued. Trade acceptances: Within 15 days	Trade acceptances: 16 to 90 days	Bankers acceptances within 3 months	Paper secured by— Treasury notes [1] and certificates of indebtedness: Within 15 days	Treasury notes and certificates of indebtedness: 16 to 90 days	Liberty bonds and Victory notes: Within 15 days	Liberty bonds and Victory notes: 16 to 90 days	Authorized rates on acceptances purchased in open market: Minimum.	Maximum.
1914-Nov. 16									
Dec. 4									
Dec. 15									
1915-Jan. 8									
Feb. 23									
Feb. 17									
June 18								2	4
Aug. 13	3½	3½							
Oct. 4									
Dec. 2									
1916-Apr. 12									
July 24	4	4							
Sept.18									
1917-May 7				3		3			
May 28					3½		3½		
Nov. 5									
Dec. 3				3½	4	3½	4		
Dec. 21									
1918-April 8		4½		4	4¼	4	4¼	3	4½
May 20	4½	4¾		4¼		(4) 4-4¼		4 (2)	
Sept.20									
Oct. 1							(4) 4-4¼		
1919-Apr. 26				(5) 4					
June 19				4¼		4¼	4¼		
Sept. 3				4					
Nov. 4	5	5		(6) 4¼-4½	4¼ (6) 4½	4½	4½		
Nov. 12						4¾	4¾		
Dec. 15				4½	4½	5	5		
1920-Jan. 3	5½	5½		4¾	4¾	5½	5½		
Jan. 23	6	6	5						
Feb. 6								5¼	
Feb. 26				5	5			5	
Apr. 1			5½						
July 3				(6) 5-6	(6) 5-6				
Sept.28						6	6		
1921-July 1			6	6	6				
Nov. 2	5	5	5	5	5	5	5		

6 Discount rate corresponds with interest rate borne by certificates of indebtedness pledged as collateral within limits shown.

Note- Rates on paper secured by War Finance Corporation bonds were established Apr. 4,1919, at 1 per cent in excess of the rate applicable to commercial paper of corresponding maturity, and were automatically discontinued effective Apr. 1, 1920, coincident with the maturity of all outstanding War Finance Corporation bonds.

THE BANK BUILDING

Condensed history of the building site and the structure erected thereon for the Federal Reserve Bank of Kansas City.

A detailed history of the site of the Federal Reserve Bank building as a part of early Kansas City as obtained after exhaustive research through a period of several years and written for the corner stone by the writer of this volume, is found in manuscript No. 10 in the corner stone, a copy of which is contained in the archives of the bank. Suffice it to say here that the site was scarcely more than an arrow's flight from the "Big Muddy" in the days when the stalwart Red Man hunted on the hills that are now Kansas City. Later it formed the crest of a knoll that sloped northward toward the river and westward to the ravine that became first the Santa Fe Trail and later Grand avenue, both notable avenues of commerce. Of early importance to the three lots on which the building was erected are the following dates;

Louisiana Purchase	1803
John Jacob Astor fur trade opening	1810
First fur warehouse built by Chouteau	1821
Jackson County organized	1826
Independence founded	1827
James H. McGee 320 acres (now McGee's Addition) bought from Gov. No. 14	1828
Shawnee Mission Founded	1829
Santa Fe Trail trade began at Independence	1831
Westport founded	1833
"Town of Kansas" (now Kansas City) founded	1839
John C. Fremont's first expedition	1842
Mexican War preparation with "Town of Kansas" as outfitting station	1845-46
Kansas City given charter by the state	1853

As surveyed, the lots were originally a part of the old "Smart Farm", later called the "Swope's Addition". The first owners were Oliver Caldwell and Henry Chiles who bought the tract from the government in 1834.

The next year Chiles sold his interest to Caldwell who became one of the original incorporators of Kansas City. Caldwell sold forty acres including this tract to Thomas A. Smart for $400 on April 6, 1857. Smart sold the same forty acres on May 12, 1859 to Thomas H Swope for $7,500. This was the last transaction wherein the three lots forming the bank site were sold in the same tract until, on July 29, 1918, the three lots alone were bought by the Federal Reserve Bank of Kansas City for half a million dollars.

Of the early homes and buildings erected upon the three lots, the first that is authentically chronicled was the 3-room 1 story brick home built probably by George A. Torbet who purchased the lot April 9, 1869 for $750 and sold it October 27th of the same year to Thomas J. Barnes for $1,300. This was on the middle one of the three lots on which the bank building stands and was the only building at that time on the three lots. The following description of this ground was written in 1921 by L.B. Arbuckle, who then lived at 2509 Jackson Avenue, at the dictation of his mother, Mrs. Mary E. Arbuckle, who was at that time in her eighty-fourth year but who died early in 1922.

> "The 49½ feet embodied in the Federal Reserve Bank site, next to the corner of Tenth Street and Grand Avenue, was the home of the late Hiram Arbuckle and family for seven years,--1877 to 1884. Mr. Arbuckle moved to the home - a 3-room brick - at a rental of $15 per month. Later he bought the property from a Mr. Carswell of Chicago, for $1,100, paying $200 down and $15 monthly. This transaction occured a few months before the site of the Federal Post Office, now the home of the Fidelity Trust Company, was selected at Ninth and Walnut streets.
>
> "A little later a 3-story front was built to the original home. Mr. Arbuckle sold the property in 1884 for about $8,000 which was considered a good price. His vision then was that in a few years the property would have a great valuation.

"This property was on the hill, as we described it, about thirty feet above Grand avenue, and the front yard furnished a fine view point embracing practically all of the business section of Kansas City, and all the residence section west of Grand avenue. The Missouri river was visible at the mouth of the Kaw.

"The survivors of the family are the widow, Mrs. Mary E. Arbuckle and two sons, L.B. Arbuckle of 2509 Jackson avenue and M.P. Arbuckle of 214 N. Elmwood avenue.

"Mrs. Arbuckle is now 84 years old. A few years ago she painted the picture of the home from a sketch made in 1884. The mother and the sons have a profound interest in the fact that a structure towering 305 feet - twenty-one stories - so beautiful in design, so magnificent, so useful in our city and nation's welfare, stands on the ground that for a time was their place of abode.

"It was within a cluster of churches - at least ten in number - from Eighth street to Eleventh street - from Walnut street to McGee street. The location of these follows:

Southwest corner Ninth street and Grand avenue
Ninth and McGee streets, southwest corner
Eight street and Grand avenue, southwest corner
Eighth and Walnut streets, southeast corner
Walnut street between Eighth and Ninth streets
(about Scarritt Arcade)
Walnut between Ninth and Tenth (about Gloyd Bldg.)
Northeast corner Eleventh street and Grand avenue
Grand avenue East side about midway between Tenth
and Eleventh streets
Southwest corner Tenth street and Grand avenue
Northeast corner Ninth street and Grand avenue(colored)

"The Grand Avenue Methodist Church and the German Church at Ninth and McGee streets were among the first in building and are now the last remaining, and the Methodist is in a new building. The writer has attended all these churches, even the colored church, one or more times."

The Arbuckle home was razed at the time the high clay bank was cut down and the Glendale building erected on the corner in ________ This building served as an office building until the bank began preparation of the ground for the new Federal Reserve Bank building. The first work of razing the Glendale building was done by Chairman Ramsay and

Governor Miller. (see photograph)

The general contract for the construction of the new building was signed April 15, 1920. In that contract the date set for completion was Oct. 1, 1921. It was later revised however, to Nov. 16, 1921. The actual wrecking of the Glendale building began May 13, 1920, with a force of 45 men. The wrecking was completed by midnight of June 4th, and excavation for the new building begun June 7th. The building committee of the Board of Directors of the bank encountered numerous difficulties and obstacles in their campaign of planning for the construction of the new building.

Objection to height.

Principal among the obstacles met by the building committee was the objection raised to the height of the proposed building by a number of Kansas City business people. The objection was raised following the adoption of the report by the directors of the National Bank of Commerce in March 1918. This resolution condemned the decision of the building committee to erect the structure to the height of twenty-one stories and was based largely on the fact that the new building would tower above the city's two tallest buildings at that time, the Commerce Trust Company's building and the R.A. Long building, both of which were in a direct line west from the Federal Reserve Bank building site. Technically the objection was based on the assumption that the city's sky line would appear uneven and that other companies or corporations expecting to build buildings in the future might again outstrip the new building and thus in a manner belittle the two ranking business buildings who had pioneered the tall building. The resolution passed by the Bank of Commerce directors called for a discussion with the Federal Reserve Bank building committee, on the matter of the bank building's height.

The conference between the representatives of the Bank of Commerce and the representatives of the Federal Reserve Bank was held in the directors' rooms of the latter institution. There were present: R.A. Long, Chairman of the objecting committee, W.T. Kemper, Chairman of the Board of the Bank of Commerce, and J.C. Nichols. Representing the Federal Reserve Bank were Chairman Ramsay, Director McClure, Highes Bryant, agent for the building, and Governor Miller. J.C. Nichols was spokesman for the objectors. He outlined the objections and suggested that the bank, in order to house itself properly, should purchase more frontage and build wider rather than higher than adjacent buildings.

In answer it was pointed out to the objectors, that when the Long building was erected it far outstripped the surrounding sky line and no objection was raised, also that the operations of the bank required the maximum of natural light and fresh air and that the height of the building was intended to take care of these requirements as well as to utilize the very high priced ground to the best of advantage. It was also pointed out that the emptying of the building at noon or evening rush hours would not congest the streets at this corner nearly so much as the emptying of lesser buildings on other streets, such as Main street.

The objections raised, while it was unsuccessful, had the effect of slowing up the progress of the preparation for the building for several months, or until the directors of the Bank of Commerce assured the Federal Reserve Bank directors that the resolution of objection had been expunged from the records. The retarding of progress came about because the Federal Reserve Bank directors did not desire to make the request of the Fe

Federal Reserve Board for the [illegible] 21-story building while there were extant any objections on the part of any Kansas City business men.

Partition wall a thorn.

Another matter which retarded for a short time the progress of getting the building under headway and which was the means of an important change in building plan, was the inability of the building committee to reach an agreement with Walter Jaccard of the Jaccard Jewelry Company over the north wall of the proposed building, which wall was to abut upon the property of Mr. Jaccard to the north of the bank site.

The architects for the bank proposed to lay the north cantilever base of the building nearly 100 feet below the street level and in such a manner as to form a base for not only the bank building but for whatever building might be constructed in the future on the property of Mr. Jaccard. It was proposed to Mr. Jaccard therefore, that if he should erect a building adjacent to the bank he could go to whatever depth he desired, using the same cantilever supports and pay a fraction only of whatever part of the bank's wall he might desire to use. Mr. Jaccard did not see fit to agree to this and it was necessary for the architects to re-arrange their plans and place the cantilever supports at the front and rear of the building and build only up to Mr. Jaccard's line, thus maintaining a building separate and apart from whatever building Mr. Jaccard or his lessees or heirs might decide to erect.

CORNER STONE SERVICES.

Supplementing the report of the corner stone laying found on page in the preceding narrative there are given following the program, list of guests and addresses of ceremonies of April 16, 1921.

-PROGRAM-

"To Thee, O Country"	Federal Reserve Choral Club
Invocation	Bishop Sidney C. Partridge
Master of Ceremonies	Asa E. Ramsay, Chairman
Laying Corner Stone	J.Z. Miller, Jr. Governor-Officiating
"America the Beautiful"	Federal Reserve Choral Club
Address- Federal Reserve Bank	Director W.J. Bailey
"The Stars and Stripes Forever"	Federal Reserve Choral Club
"The Star-spangled Banner"	Assembly
Benediction	Bishop Thomas F. Lillis

John R. Jones, Musical Director

Richard R. Canterbury, Accompanist

-LIST OF GUESTS-

Governors of Seven States of Tenth Federal Reserve District.

Oliver L. Shoup
Henry J. Allen
Arthur M. Hyde
Samuel R. McKelvie
M.C. Mechem
J.B.A. Robertson
Robert D. Carey

Presidents and Secretaries of All Clearing Houses in Tenth District.

J.A. Connell
J.C. Burger
M.D. Thatcher
W.J. Bailey
M.L. Breidenthal
G.W. Snyder
D.F. Callahan
J.R. Wise
G.M. Smith
F.L. Ford

R.L. Beattie
D.N. Fink
D.W. Hogan
W.L. Lewis
H.B. Henderson
F.H. Davis
J.A. Barton
E.S. Irish
W.K. Dudley
Chas. Linley
C.L. Wilson
T.C. Mueller
G.L. Dunn
J.E. Carm
C.W. Watson
W.A.P. McDonald
C.V. Reasor
F.H. Grubbs
E.J. Litteer
T.P. Farmer
W.I. Dunn
Wm. B. Hughes

Directors of the Federal Reserve Bank of Kansas City.

Chairman Asa E. Ramsay and Mrs. Ramsay
Fred W. Fleming and daughters
E.E. Mullaney and Mrs. Mullaney
H.W. Gibson and Mrs Gibson
J.C. Mitchell and Mrs. Mitchell
M.L. McClure and Mrs. McClure
T.C. Byrne and Mrs. Byrne
W.J. Bailey and Mrs. Bailey
R.H. Malone and Mrs. Malone
C.E. Burnham and Mrs. Burnham

Directors and Managers of the Omaha, Denver and Oklahoma City Branches together with their wives.

L.H. Earhart, Manager and Director
P.L. Hall, Director
R.O. Marnell, Director
Wm. J. Coad, Director
Geo. E. Abbott, Director
C.A. Burkhardt, Manager and Director
A.C. Foster, Director
C.C. Parks, Director
John Evans, Director
Alva B. Adams, Director
C.E. Daniel, Manager and Director
Wm. Mee, Director
Dorset Carter, Director
T.P. Martin, Jr., Director
L.K. Thurmond, Director

BANK COMMISSIONERS OF THE SEVEN STATES OF THE TENTH DISTRICT.

Grant McFerson
F.H. Foster
J.G. Hughes
J.E. Hart
J.B. Read
Fred G. Dennis
R.J. Hoffman

Presidents and Secretaries of Bankers' Associations of the Seven States of the Tenth Federal Reserve District.

Colorado Bankers' Assn.

Albert A. Reed, President
Paul Hardey, Secretary

Missouri Bankers' Assn.

R.F. McNally, President
W.F. Keyser, Secretary

Kansas Bankers' Assn.

H.W. Grass, President
W.W. Bowman, Secretary

Nebraska Bankers' Assn.

J.C. Flannigan, President
William B. Hughes, Secretary

Oklahoma Bankers' Assn.

D.N. Fink, President
Eugene P. Gum, Secretary

New Mexico Bankers' Assn.

Frank R. Coon, President
R.L. Ormsbee, Secretary

Wyoming Bankers' Association

John W. Hay, President
Harry B. Henderson, Secretary

****

Newspaper Representatives

Dr. and Mrs. Burris Jenkins
Chas. H. Sessions
C.S. Jobes
R.E. Stout
D. Austin Latchaw
U.L. McCall
L.B. Mickel
W.K. Hutchinson
Mr. & Mrs. J.S. Jackson
Wm B. Stone
Sammel Sosland

The following Supervising Force of Graham, Anderson, Probst & White, Architects.

C.W. Dolle
D.P. Musick
R.G. Olson
Bothan McCuiston
S.A. Wyatt
Lewis Dozier
M.A. Nennelly
F.A. Ott
Clarence Ott
A.H. Breitag
S.A. Waldman
C.D. Shaw
W.A. Battey
Graham, Anderson, Probst & White
John M. Snead & Mrs. Snead
Chas. A. Wikle, Jr.

The Following sub-contractors and material dealers or their representatives.

Vernon H. Trueblood
E.K. Adams
John J. Sherin Co.
Badger Lbr. Co.
Stewart Sand Co.
L.K. Comstock & Co.
Kornbrodt Kornice Co.
Robert W. Hunt Co.
Pittsburgh Plate Glass Co.
J.P. Gilman
Overland Const. Co.
Cecil de Groot Co.
Coen Bldg. Material Co.
Paul Patton
Edmunds Mfg. Co.
Norton Bros.
Fred Medart Mfg. Co.
Lumbermen's Supply Co.
National X-Ray Reflector
Vermont Marble Co.
Otis Elevator Co.
Knisely Bros., Inc.
Chas. Johnson & Son
Standard Asbestos Mfg. & Insulating Co.
The Lamson Co.
Permanent Ironite Water-proofing Co.
The Humboldt Brick Mfg. Co.
G.T. Barton
John McBeath

Presidents of Universities of Seven States in Tenth District.

Pres. George Norlin
Chancellor C.E. Lindley
Acting President of Missouri University
Chancellor Sam'l. Avery
Pres. Davis S. Hill
Pres. Stratton D. Brooks
Pres. Aven Nelson

U.S. Senators - Washington Address.

Arthur Capper-Kansas
Chas. Curtis, Kansas
Jas. A. Reed, Missouri
Selden P. Spencer,Missouri
Gilbert M. Hitchcock, Neb.
Geo. W. Norris, Nebraska
Andrieus A. Jones, N.M.
John W. Harreld, Okla.
Robt. L. Owen, Oklahoma
John B. Kendrick, Wyoming
Francis E. Warren, Wyoming
Saml. E. Nicholson, Colorado
Lawrence C. Phipps, Colorado

U.S. Sixty-Seventh Congressmen - Residence Address.

Wm. N. Vaile, Colorado
Chas. B. Timberlake,Colo.
Guy U. Hardy, Colorado
Edward T. Taylor,Colorado
Daniel R. Anthony, Jr.Kansas
Edward C. Little, Kansas
Philip P. Campbell, Kansas
Homer Hoch, Kansas
Jas. G. Strong, Kansas
Hays B. White, Kansas
J.N. Tincher, Kansas
Richard E. Bird, Kansas
Henry F. Lawrence
Chas. L. Faust, Missouri
Edgar C. Ellis, Missouri
William O. Atkeson, Missouri
C. Frank Reavis, Nebraska
Albert W. Jeffries, Nebraska
Robert E. Evans, Nebraska
Melvin O. McLaughlin, Nebraska
William E. Andrews, Nebraska
Moses P. Kinkain, Nebraska
Nestor Montaya, New Mexico
Thos. A. Chandler, Oklahoma
Alive M. Robertson, Oklahoma
Chas. D. Carter, Oklahoma

J.C. Pringey, Oklahoma
F.B. Swank, Oklahoma
L.M. Gensman, Oklahoma
Jas. V. McClintic, Oklahoma
Manuel Herrick, Oklahoma
Frank W. Mondell, Wyoming

The Following Officers and Friends of the Bank, Federal and Civic Officials with their wives:

Governor and Mrs. J.Z. Miller, Jr.
Deputy Governor and Mrs. C.A. Worthington
Secretary and Mrs. C.K. Boardman
Mr. and Mrs. J.W. Helm
Mr. and Mrs. J.M. Worley
Mr. and Mrs. J.E. Goodrich
Mr. and Mrs. Jo Zach Miller III
Mr. and Mrs. Hughes Bryant
Bishop Thomas F. Lillis
Bishop Sidney C. Partridge
Bishop William A. Quayle
Bishop E.R. Hendrix
Bishop John Ward
Judge & Mrs. A.S. Van Valkenburg
Judge Kimbraugh Stone
Mr. and Mrs. Francis Wilson
Mr. and Mrs. I.R. Kirkwood
Mayor James Cowgill
Matt A. Foster, Police Commissioner
John E. Wilson, " "
Charles Edwards, Chief of Police

Invitations to:

W.C. Scarritt
J.C. Nichols
W.T. Kemper
R.A. Long
F.P. Neal
O.C. Snider
Walter Jaccard
Herman Henrici
Clint Oliver
Sam C. Pearson
H.C. Schwitzgebel
E.E. Ames
J.R. Burrow
Roy L. Bone

(For addresses see printed copy in archives.)

Summary of Material in Building.

MATERIAL	NUMBER CARS	WEIGHT POUNDS	WEIGHT TONS	QUANTITY
Brick - Face	27	2,038,320	1019	357,600
Brick - Paving	3	205,200	103	36,000
Brick- Common	235	8,986,649	4493	1,864,450
Cement - Carney	16	1,417,920		5,908 Bbls
Cement - Portland	119	7,633,928		20,303 Bbls
Cinders	31			2,875 Yds
Terra Cotta	10	587,200		
Gravel	24	2,148,100		797 Yds
Sand	250	28,779,400		11,069 Yds
Structural Steel	118	8,600,000	4300	
Rein. Steel	9	506,000	253	
Wood Trim	14	284,380		
Maple Flooring	13	560,200		
Floor Sleepers	9	405,400		
Crushed Rock	215	22,668,100		9,646 Yds
Lime and Plaster	30		875	
Glass	3	118,000	59	
Hollow Tile	135	8,600,000	4300	
Marble	13	650,000	325	
Fire Escapes	2	66,355		
Cut Stone	50	4,176,000	2088	
Lumber	13			267,380 Bd Ft
Elevator Equip.		395,951	198	
Lighting Fixtures				
Electrical work		224,000	112	
Pneumatic Tubes	5	68,227	34	

MATERIAL	NUMBER CARS	WEIGHT POUNDS	WEIGHT TONS	QUANTITY
Paint	2	66,000	33	
Ornamental & Misc. Iron	15	561,000	280	
Plumbing Systems				
Heating Systems				
Ventilating Systems				
Venetian Blinds				
Hardware				
Granite	3			
Metal Lockers	1	47,864	24	
Metal Windows				
Sheet Metal				
Kitchen Equipment				

-BUILDING EMPLOYMENT RECAP-

Chart showing number of working days, number of months and number of men employed per month during the 23 months occupied in erecting the Federal Reserve Bank of Kansas City.

YEAR	MONTH	NUMBER OF MEN EMPLOYED	NUMBER OF WORKING DAYS	AVERAGE NO. MEN PER DAY
1920	May	909	14	65
1920	June	2,185	25	84
1920	July	2,028	26	78
1920	August	1,942	26	74
1920	September	1,618	24	66
1920	October	2,544	25	104
1920	November	1,539	25	62
1920	December	1,857	25	76
1921	January	2,375	26	91
1921	February	5,952	24	244
1921	March	9,533	27	353
1921	April	10,075	26	387
1921	May	9,415	25	376
1921	June	10,895	26	419
1921	July	9,554	25	382
1921	August	8,198	27	303
1921	September	8,518	25	40
1921	October	8,641	26	332
1921	November	6,005	25	240
1921	December	3,330	26	128
1922	January	1,946	25	77
1922	February	996	25	39
1922	March	393	19	19
Totals	23	110,449 *	569	Av. 175

* The average number of men per month during the 23 months was 4,802

SUBCONTRACTORS EMPLOYMENT COSTS

Supt.	$16,433.00	Helpers	$14,400.00
Foremen	20,168.75	Plaster Foremen	2,462.00
Watchmen	60.71	Plasterers	35,753.00
Engineers	6,360.00	Sheet Metal Foremen	2,412.00
Firemen	128.80	" " Helpers	372.90
Laborers	40,602.80	Wiremen	5,486.00
Teams	2,104.00	Boiler Mkr. Foremen	525.10
Trucks	6,104.00	Boiler Makers	782.20
Pitman	33.60	" " Helpers	644.90
Cranemen	16.00	Hod Carriers	32.00
Plumbers	18,040.50	Lathers	5,062.50
Drillers	488.00	Lather Foremen	950.00
Blaster	340.40	Pipe Coverers	2,732.00
Steamfitter	88.00	" " Helpers	1,038.80
" Helpers	123.75	Setter	5,276.10
Bridgemen	44,357.72	Setter Helpers	2,048.00
Plumber Foremen	4,229.25	Glaziers	1,260.00
Labor "	2,164.80	Fixture Men	1,056.00
Steamfitter	165.00	Fixture Helpers	198.00
Clerk	13.84	Elev. Const. Helpers	2,623.50
Electrician	8,168.00	Casters	992.00
Timekeeper	302.27	Appr. Plasterers	180.00
Appr. Bridgemen	1,592.90	Asbestos Work. Helpers	39.40
Gen'l. Foremen	1,045.00	Orna. Iron Foremen	630.00
Erection "	1,267.20	Painter Foremen	1,215.00
Rivet "	1,684.80	Roofers	1,590.40
Yard "	816.00	Appr. Roofers	198.40
Painter	9,780.00	Cement Finisher	1,192.00
Bridgemen Foremen	2,107.20	Masons	2,648.80
Tinners	40.00	Carpenter Foremen	455.40
Electric Helpers	528.00	Shade Men	16.00
Fitter Foremen	3,195.50	Iron Worker Appr.	252.00
Fitter Helpers	5,087.50	Mosler Foremen	499.20
Fitters	12,130.87	Mosler " (Ngt)	432.00
Riggers	8.60	Electric Foremen	387.00
Rigger Foremen	331.20	Splicers	240.00
Stone Helpers	4,067.80	Mason Foremen	125.00
Iron Workers	9,477.20	Glazier Foremen	180.00
Carpenters	35,760.00	Safe Men	53.36
Stone Foremen	1,240.00	Pavers	132.00
Stone Setter	2,322.00	Sign Painters	20.00
Stone Cutter	824.00	Cable Men	528.00
Asbestos Worker	176.00	Engravers	16.00
Elevator Constructor	4,292.00		
Sheet Metal Worker	10,064.00		
Orna. Iron Worker	9,206.30	Total - - - - - - - - -	$384,675.33

Schedule of Changes in Discount Rates and Dates Effective During the Years 1914-1921

Rates in Effect	Member Bank Collateral Notes Fifteen Days: Secured by U. S. War Obligations	Secured by Eligible Paper	Rediscounts: Commercial Paper Maturing Within 15 Days	60 Days	90 Days	Commercial Paper Secured by U.S. War Obligations 15 Days	16 to 90 Days	Commodity Paper	Agricultural	Live Stock	Trade Acceptances Maturing Within 15 Days	90 Days
Nov. 16, 1914......	....	....	7%	7%	7%	....	....	....	....	....	....	....
Dec. 3, 1914......	....	....	6%	6%	6%	....	....	....	....	....	....	....
Jan. 28, 1915......	....	....	4%	4%	4½%	....	....	....	5½%	5½%	....	....
Sept. 7, 1915......	....	....	4%	4%	4%	....	....	....	5%	5%	....	....
Dec. 3, 1915......	....	....	3½%	4%	4%	....	....	3%	5%	5%	3½%	3½%
Apr. 12, 1916......	....	....	4%	4½%	4½%	....	....	3%	5%	5%	4%	4%
July 24, 1916......	....	....	4½%	4½%	4½%	....	....	4%	5%	5%	4%	4%
Sept. 18, 1916......	....	....	4½%	4½%	4½%	....	....	4%	5%	5%	4%	4%
Jan. 1, 1917......	....	4%	4%	4½%	4½%	....	....	4%	5%	5%	4%	4%
May 7, 1917......	3%	4%	4%	4½%	4½%	3%	....	....	5%	5%	4%	4%
May 28, 1917......	3%	4%	4%	4½%	4½%	3%	3½%	....	5%	5%	4%	4%
Dec. 3, 1917......	3½%	4%	4%	4½%	4½%	3½%	4%	....	5%	5%	4%	4%
Jan. 1, 1918......	3½%	4%	4%	4½%	4½%	3½%	4%	....	5%	5%	4%	4%
Apr. 8, 1918......	4%	4%	4%	4¾%	4¾%	4%	4¼%	....	5%	5%	4%	4%
May 20, 1918......	4¼%	4½%	4½%	5¼%	5¼%	4¼%	4¼%	....	5½%	5½%	4¼%	4¾%
Sept. 23, 1918......	4¼%	4½%	4½%	5%	5%	4¼%	4¼%	....	5½%	5½%	4¼%	4¾%
Jan. 1, 1919......	4¼%	4½%	4½%	5%	5%	4¼%	4¼%	....	5½%	5½%	4½%	4¾%
June 19, 1919......	4%	4½%	4½%	5%	5%	4¼%	4¼%	....	5½%	5½%	4½%	4¾%
Nov. 3, 1919......	4¼%&4½%	4½%	5%	5%	5%	4½%	4½%	....	5½%	5½%	5%	5%
Nov. 12, 1919......	4¼%&4½%	4¾%	5%	5%	5%	4¼, 4½ &	4¾%	....	5½%	5½%	5%	5%
Nov. 29, 1919......	4¼%&4½%	4¾%	5%	5%	5%	4¼, 4½ &	4¾%	....	5½%	5½%	5%	5%
Dec. 15, 1919......	4½% to 5%	5%	5%	5%	5%	4½% &	5%	....	5½%	5½%	5%	5%
Jan. 3, 1920......	4¾%&5½%	5½%	5½%	5½%	5½%	4¾% &	5½%	....	6%	6%	5½%	5½%
Jan. 23, 1920......	4¾%&5½%	6%	6%	6%	6%	4¾% to	5½%	....	6%	6%	6%	6%
Feb. 26, 1920......	5%&5½%	6%	6%	6%	6%	5% to	5½%	....	6%	6%	6%	6%
*Apr. 19, 1920......			Progressive rates effective—See foot-note.									
July 3, 1920......	5% to 6%	6%	6%	6%	6%	5% to	6%	....	6%	6%	6%	6%
†Sept. 28, 1920......	5% to 6%	6%	6%	6%	6%	5% to	6%	....	6%	6%	6%	6%
‡June 22, 1921......	6%	6%	6%	6%	6%	6%	6%	....	6%	6%	Market Rate	
Aug. 1, 1921......			The application of the progressive rate was discontinued									
Nov. 2, 1921......	5%	5%	5%	5%	5%	5%	5%	....	5%	5%	Market Rate	

*The basic line of a member bank is determined by deducting from the amount of its average reserve for the preceding month, the 35% reserve on deposits which federal reserve banks are required by the Act to maintain; to the remainder is added the amount of capital stock paid in by the members; and this sum is multiplied by 2½. Offerings aggregating the amount a member bank's basic line are discounted at the normal rate of 6%. The rate is progressed ½ of 1% for each bracket of 25% in excess of its basic line. Notes secured by Treasury Certificates of Indebtedness, Liberty Bonds or Victory Notes actually owned by the borrowing member bank on April 1, 1920, are discounted at the normal rate.

†Advances to member banks on their promissory notes secured by U. S. Government War Obligations, or on rediscounts so secured, will be made on the basis of the approximate market value thereof.

‡The progressive rate was modified as follows: An additional charge of 1% above the normal basic rate will apply on advances in excess of the basic amount up to and including 200% thereof. Subsequent additional advances equal to 100% of the basic amount will be subject to a rate of 2% in excess of the normal rate. Advances to member banks on loans secured by U. S. Government War Obligations will be made on the basis of the approximate market value of such securities.

TENTH DISTRICT WAR LOAN RECORD

History of Financial Achievements of the Federal Reserve Bank of Kansas City with Personnel of District Workers.

* * *

The history of the achievements of the Tenth Federal Reserve District in raising money in the World War will never be completely written by any one man nor by any one hundred men. Such a history would of necessity include the personal sacrifices of thousands of men and women in the great southwest who placed their country ahead of their comfort and "bought bonds till it hurt." Such a history would include a detailed chronology of the accomplishments of each team of solicitors in each city and in every one of the 380 counties that made up this District during the war.

It shall be the purpose of this record, however, to chronicle merely the organization of the District as a financial unit for the aid of the war against Prussianism, and the accomplishments of the District and each of its States during the war period.

The beginning of the World War, as it concerned European belligerants, was in effect contemporary with the establishment of the Federal Reserve Banks in the United States. The World War began in 1914, while the Federal Reserve Act's passage by Congress was on December 23, 1913. The Federal Reserve System was not in actual operation until nearly the date of the great war's outbreak, and the European conflict had begun to show its reflection in America's financial operations by the time the twelve Federal Reserve banks were fairly established and in working order. So timely was the establishment of the Federal Reserve System that the war financing in America fell naturally into the duties assumed by the Federal Reserve banks. And, taking the country as a whole or by Districts, there can be found no man today who can say what financial calamities might have befallen the nation under such stress as it labored under during the war, had it not been for the organized effect of the Federal Reserve System, its banks and its Liberty Loan Organizations.

In cold terms of dollars and cents there are given herewith, for the sake of permanent record, the actual accomplishments of the nation and of the Tenth Federal Reserve District in raising the "sinews of war."

Subscriptions raised in all the five loans in the United States totaled $23,972,111,400. Of this amount the Treasury accepted $21,477,335,850. Yet compared with this wonderful record, here are the approximate totals raised by other countries engaged in the conflict; Great Britain $20,000,000,000; France $20,000,000,000; Italy $8,000,000,000; Canada $1,250,000,000.

The number of individual war loan subscriptions in the United States during the war is estimated by the Treasury Department at 66,289,900, or between one-fourth and one-third of the entire population of the nation at the close of the war. The majority of the number of subscriptions came from the purchasers of bonds of the smaller denominations, further attesting the patriotism of the people who made up the United States, and showing how broad was the education which the Treasury Department and the Federal Reserve Banks gave to the people on the subject of Government securities.

One year before the issue of the bonds of the First Liberty Loan there were outstanding $1,378,124,593 in United States Government bonds and these were held almost entirely by financial institutions or wealthy individuals. On June 15, 1917, two billion more had been added to bonds outstanding, that amount being all that the Treasury accepted of the $3,035,226,850 subscribed in the First Liberty Loan. Each succeeding loan proved the inestimable value of the Federal Reserve Banks as a cog in the machinery that helped win the war.

Following are the quotas, subscriptions and allotments of the five loans by States in the Tenth Federal Reserve District:

FIRST LIBERTY LOAN

	Quota	Subscription	Allotment
Colorado	$12,590,350	$18,284,750	$12,602,050
Kansas	10,818,750	13,997,250	11,108,750
Missouri	14,152,650	19,820,350	14,315,900
Nebraska	11,963,500	19,035,600	11,996,200
New Mexico	427,300	600,250	429,050
Oklahoma	11,347,500	17,956,750	11,461,000
Wyoming	1,567,550	2,063,900	1,568,900
Total	$62,867,600	$91,758,850	$63,481,850

SECOND LIBERTY LOAN

	Quota	Subscription	Allotment
Colorado	$17,616,000	$23,042,850	$20,946,100
Kansas	27,840,000	30,104,450	27,895,200
Missouri	18,984,000	28,701.650	23,326,250

No	Quota	Subscription	Allotment
Nebraska	$29,640,000	$33,317,200	$31,184,900
New Mexico	996,000	1,420,200	1,360,400
Oklahoma	20,988,000	27,847,150	26,629,400
Wyoming	3,936,000	5,692,200	5,132,650
Total	$120,000,000	$150,125,700	$136,474,900

THIRD LIBERTY LOAN

	Quota	Subscription	Allotment
Colorado	$20,333,900	$31,295,750	$31,295,750
Kansas	30,289,300	47,381,200	47,381,200
Missouri	18,983,900	29,868,100	29,868,100
Nebraska	31,888,700	50,524,400	50,524,400
New Mexico	1,078,000	2,228,750	2,228,750
Oklahoma	26,507,900	36,057,600	36,057,600
Wyoming	5,025,900	6,737,000	6,737,000
Total	$134,107,600	$204,092,800	$204,092,800

FOURTH LIBERTY LOAN

	Quota	Subscription	Allotment
Colorado	$37,449,500	$42,007,550	$42,007,550
Kansas	67,050,200	73,914,550	73,914,550
Missouri	40,474,700	46,433,750	46,433,750
Nebraska	69,045,450	75,583,200	75,583,200
New Mexico	1,220,000	2,144,200	2,144,200
Oklahoma	38,500,400	45,685,050	45,685,050
Wyoming	7,977,500	10,183,150	10,183,150
Total	$261,717,750	$295,951,450	$295,951,450

VICTORY LIBERTY LOAN

	Quota	Subscription	Allotment
Colorado	$28,375,350	$30,058,150	$28,581,150
Kansas	49,442,750	51,936,350	51,208,250
Missouri	31,695,150	32,106,100	31,463,850
Nebraska	51,907,900	44,211,750	43,086,100
New Mexico	700,000	1,130,850	1,042,400
Oklahoma	28,382,550	31,811,700	30,185,300
Wyoming	6,414,550	7,219,700	6,862,250
Total	$196,918,250	$198,474,600	$192,429,300

Too much credit cannot be given the officers and directors of the Federal Reserve Bank of this District for shouldering the responsibility of raising the District's quota of especially the First Liberty Loan. There was no organization at that time for raising the loan and the work was done under the direction of Governor Miller and through the assistance of the directors and officers of the bank in written appeals to member banks to raise the quota assigned the District.

For the Second Liberty Loan a tentative organisation was effected in the District at the instigation of the Federal Reserve Bank. Officers of the bank, with the assistance of Mr. A. E. Hutchings in charge of publicity, distributed loan literature prepared by the Publicity Bureau in Washington and carried on a campaign largely by correspondence, sufficient, however, to put the District over its quota. The permanent organization of the District was begun in January 1918. Between loans some changes in the personnel were made. Following are the names of those who served:

Roster of Liberty Loan Officials

Tenth Federal Reserve District

J.Z.Miller, Jr., Governor Federal Reserve Bank and Chairman Committee
Asa E. Ramsay, Chairman Federal Reserve Bank and Vice Chairman Committee
J.L.Cross, Deputy Governor Federal Reserve Bank and Exec. Mgr. Committee
C.A.Worthington, Manager Liberty Loan Department, F.R.B.
C.A.Burkhardt, Deputy Executive Manager Committee, Denver
O.T.Eastman, Deputy Executive Manager Committee, Omaha

Executive Committee:

John F. Downing, K.C. Mo.
W. T. Grant, K. C. Mo.
C. G. Hutcheson, K. C. Mo.
W. H. McLucas, K. C. Mo.
J. C. Nichols, K.C. Mo.
Geo. T. Trimble, K. C. Mo.
H. P. Wright, K. C. Mo.

Central Liberty Loan Committee:

Hon. F. D. Gardner, Jefferson City, Mo.
Hoh. Arthur Capper, Topeka, Kansas.
Hon. Julius Z. Gunter, Denver, Colo.
Hon. E. C. Dubach, Santa Fe, N. M.
Hon. Frank L. Houx, Cheyenne, Wyoming.
Hon. K. Neville, Lincoln, Nebraska.
Hon. R. L. Williams, Oklahoma City, Okla.
Hon. J. W. Bailey, Atchison, Kansas.
C. E. Burnham, Norfolk, Nebraska.
R. H. Malone, Denver, Colorado.
M. L. McClure, Kansas City, Mo.
F. W. Fleming, Kansas City, Mo.
J. N. Aydelotte, Oklahoma City, Okla.
Geo. W. Barnes, Muskogee, Okla.
Ward M. Burgess, Omaha, Nebraska.
T. C. Byrne, Omaha, Nebraska.
C. L. Davidson, Wichita, Kansas.
Reed Holloman, Santa Fe, N. M.
Robt. D. Carey, Cheyenne, Okla.
Geo. R. Collett, Kansas City, Mo.
J. W. Perry, Kansas City, Mo.
H. W. Gibson, Muskogee, Okla.
John Evans, Denver, Colorado.
P. W. Goebel, Kansas City, Kansas
J. H. Gordon, McAlester, Okla.
Ford Harvey, Kansas City, Mo.
Mrs. Helen Ring Robinson, Denver, Colo.
Mrs. T. S. Taliaferro, Rock Springs, Wyoming.
Geo. S. Hovey, Kansas City, Missouri,
William C. Irvine, Cheyenne, Wyoming.
Robt. M. Joyce, Lincoln, Nebr.
W. T. Kemper, Kansas City, Mo.
Harold Kountze, Denver, Colorado.
J. D. Lankford, Oklahoma City, Okla.
J. C. Mitchell, Denver, Colorado
F. C. Mitchell, Kansas City, Mo.
J. K. Mullen, Denver, Colorado
F. B. Mumford, Columbia, Mo.
Grant McFerson, Denver, Colorado.
F. P. Neal, Kansas City, Mo.
J. C. Newlin, Cheyenne, Wyoming.
J. A. Prescott, Kansas City, Mo.
Hallett Raynolds, E. Las Vegas, N. M.
Patrick Sullivan, Casper, Wyoming.
G. M. Smith, Kansas City, Mo.
E. F. Swinney, Kansas City, Mo.
J. J. Tooley, Lincoln, Nebraska.
Geo. H. Van Stone, Santa Fe, N. M.
Henry J. Waters, Kansas City, Mo.

Walter E. Wilson, Topeka, Kansas.
Secundia Romero, Las Vegas, N. M.
Mrs. Henry Ware Allen, Wichita, Kansas.
Dr. Leila E.Andrews, Oklahoma City, Okla.
Mrs. A. D. Flintom, Kansas City, Mo.
Mrs. Howard Huey, Santa Fe, N. M.
Mrs. A. G. Peterson, Aurora, Nebraska.

Director W. R. Rowe
Director Speakers Bureau - Dr. E. E. Violette
John T. Wayland
Director of Publicity - A. E. Hutchings
Jess M. Worley
Secretary - P. W. McMahon
Chairman of Women - Mrs. Geo. W. Fuller

add to these names their address found in Library

STATE ORGANIZATIONS

Colorado:
State Chairman - Harold Kountze
State Secretary - Samuel D. Nicholson
H. L. Morgan

District Chairman:
F. P. Wood
Neil McLean
M. D. Thatcher
E. P. Shove
Richard Broad, Jr.
Geo. McCarroll
Luther M. Beck
Jas. P. Burney
C. N. Jackson
Harry Cassady
E. A. Schlichter
J.C. McWilliams
D. T. Stone
Geo. Argall
C. J. Moynihan
W. E. Duggan
H. B. Means
J. H. Roediger
S. D. Nicholson
R. L. Snodgrass
K. L. Schuyler
Vechel Rigsby
Wm. Weiser
J. F. McDonald
D. R. Grant
Max Buehmann

Kansas:
State Chairman - C. L. Davidson
State Secretary- L. L. Maxey

District Chairmen:
F. W. Freeman
W. J. Breidenthal
J. M. Landon
Wm. Wayman
C. B. Kirtland
A. E. Asher
A. D. Jellison
C. G. Cochran
R. S. Hendricks
J. P. Sullivan
E. R. Moses
T. C. Carver
P. H. Young
Geo. T. Guernsey
C. L. Davidson

Missouri:

State Chairman - F. C. Mitchell

District Chairmen:

I. A. Vant
F. L. Ford
E. E. Montgomery
J. W. Perry
G. M. Hargett
H. A. Malin
E. A. King

Nebraska:

State Chairman - T. C. Byrne
State Secretary- E. F. Folda

District Chairmen:

Mark Spanogle
F. L. Mooney
J. W. Marvel
Elmer Williams
Geo. N. Seymour
C. E. Burnham
P. Walsh
J. F. Cordeal
F. A. Dean
E. R. Gurney
C. A. McCloud
E. L. Hevelone
Paul Jessen
Geo. W. Shreck
Samuel Burns

New Mexico:

State Chairmen - Hallett Raynolds
Reed Holloman

Oklahoma:

State Chairmen -

A. E. Ramsay
J. H. Gordon
L. E. Phillips
N. R. Graham
Chester Westfall

District Chairmen -

R. M. McFarlin
H. H. Ogden
Fred T. Miller
A. E.Stephenson
W. H. Donahue
C. H. Martin
E. D. Foster
W. B. Johnson
Lee Levering
E. D. Sandlin

Wyoming:

State Chairmen -

J. W. Lacy
Patrick Sullivan
Nellie E. Corthell

In addition to the war loans raised by the central organization of the District, the Government Loan and Savings Organization of the District conducted a great campaign for savings and Government Savings Securities throughout 1918 and even carried out the work continuously through 1920, and are still engaged at the present date. A wonderful work in educating adults as well as children in habits of thrift was done by the organization, and the funds raised through this work mounted up into the millions despite the small denominations of the securities.

Following were the sales during the war period:

	No. Pieces Sold	Amt. of Sales	Maturity Value
War Saving Stamps	7,287,943	$29,972,314.75	$36,439,715
Thrift Stamps	3,107,351	776,837.75	776,837.75
Total		$30,749,152.50	$37,216,552.75

Certificates of Indebtedness

The sales of Certificates of Indebtedness issued in anticipation of the various War Loans and made through this institution were $563,615,500.00

BRIEF HISTORY OF THE OMAHA BRANCH, FEDERAL RESERVE BANK OF KANSAS CITY, PREPARED IN CONNECTION WITH LAYING OF CORNER STONE OF THE NEW HOME OF THE FEDERAL RESERVE BANK OF THE TENTH DISTRICT ON APRIL SIXTEENTH, A.D., NINETEEN HUNDRED TWENTY ONE.

The amendment to the Federal Reserve Act permitting the establishment of branch banks was passed in June, 1917, and on July 18th following the Federal Reserve Board authorized the establishment of a branch of the Federal Reserve Bank of Kansas City at Omaha, Nebraska.

The branch thus authorized commenced business on September 4, 1917, with reserve deposits of $13,654,953.70, and was the second branch to be established in the United States.

The territory of the Tenth Federal Reserve District assigned to the Omaha Branch from the beginning comprised the states of Nebraska and Wyoming, with areas in square miles of 76,808 and 97,548 and populations according to 1910 census of 1,192,214 and 145,965, respectively. The 1920 census gives the population of Nebraska 1,295,502 and Wyoming, 194,402.

The Omaha Branch Zone is distinctively an agricultural and stock-raising section. The agricultural activity of the State of Nebraska includes the producing of corn, small grains, sugar beets, and alfalfa hay, while the range sections of the western portion of Nebraska and the State of Wyoming afford excellent facilities for the raising of cattle and sheep. Also, Wyoming, is the leading wool-growing state in the Union and as a producer of crude oil ranks third among the states of the Tenth District.

In the territory served by the Branch on the opening date there were 1,224 banks, of which 227 were national; the remainder operating under the laws of their respective states. Of the state banks qualified to become members of the System, one, the Bank of Lewellen, Nebraska, had been admitted to membership when the Branch opened.

To date the membership of the State of Nebraska is comprised of 188 national banks and 22 state banks, out of a total of 1,196 banks for the state as a while, while the membership for the State of Wyoming is comprised of 47 national banks and 4 state banks, out of a total of 158 banks for that state.

The original directorate was composed of the following: Luther Drake, Omaha, Nebraska, President, Merchants National Bank; J.C. McNish, Omaha, Nebraska, Owner of the McNish Cattle Loan Company; O.T. Eastman, Omaha, Nebraska, designated Manager and Chairman of the Board of Directors; Dr. P.L. Hall, Lincoln, Nebraska, President, Central National Bank and R.O. Marnell, Nebraska City, Nebraska, Cashier, Merchants National Bank.

At the opening of the Branch Mr. E.D. McAllister of Kansas City, was designated Cashier, the number of employees at that time being 17. At the present time the number of employees is 144.

From the beginning the Omaha Branch has enjoyed full powers with the exception of capital stock issues, and certain fiscal agency functions. Also, the Branch is permitted to engage in open market operations only subject to the orders and for the account of the parent bank, the same being true of rediscounting privileges with other Federal Reserve Banks.

In June, 1919, the Branch commenced settling direct with other Federal Reserve Banks and Branches through the gold fund of the parent bank.

The volume of transit operations has increased from a daily average of 2,768 items handled at the opening of the Branch to the present daily average of 31,000.

Currency transactions also show an increased volume and have reached the proportion of $2,000,000 received and delivered monthly.

The department of the Omaha Branch relative to fiscal agency functions has likewise shown a marked growth, the Government's fiscal operations being responsible for the large volume of Liberty Loan coupons and Dividend Checks, Certificates of Indebtedness, War Savings Stamps, and Deposits for General Account of the United States Treasurer, handled.

The maximum and minimum of branch loans from the opening of the branch are here shown:

Year	Minimum	Maximum
1917	$ 2,166,000	$12,838,000
1918	2,365,000	28,187,000
1919	7,437,000	41,902,000
1920	28,243,000	42,267,000
1921 (To March 31st)	23,000,000	31,900,000

The figures reflect demands growing out of war financing and the strain incident to economic readjustment period thereafter.

Member banks have more and more availed themselves of the free service afforded by the Branch, such as transferring funds by telegraph, absorbing transportation costs including cost of telegrams in connection with currency transactions and the performance of the functions of a clearing house for its member banks. The service last referred to embraces the collection at par of cash items on all banking institutions of the Branch Zone in accordance with the provisions of Section 13 of the Federal Reserve Act.

December 31st, 1920, total gross earnings of the Branch since opening were $3,773,407.40 as against total expenses for the same period of $659,141.87, resulting in net earnings of $3,114,265.53.

The Omaha Branch is an honorary member of the Omaha Clearing House Association and effects daily clearings with nine national banks located in Greater Omaha.

Increased volume of business in all departments of the Branch has made additions necessary to the clerical force of the Auditing Department. This department makes an audit of each other department of the Branch at least once a month, and also keeps a current or perpetual audit of all transactions of the Discount Department and maintains a daily control on all cash and collateral held.

On May 24th, 1920, the Federal Reserve Bank of Kansas City purchased as a permanent home for the Omaha Branch, the premises known as the Farnam Building containing 40,421 square feet of available floor space at a cost of $165,000. Some remodeling of the quarters which the Branch occupies has been made and further important changes are contemplated, which when completed will result in the Branch utilizing 15,300 square feet of the building purchased.

On January, 1920, Mr. Geo. A. Gregory was designated Assistant Cashier, On March 1st, 1920, Mr. L.H. Earhart formerly Assistant Cashier of the parent bank succeeded Mr. O.T. Eastman as Manager and Chairman of the Board of Directors of the Branch. On May 1st, Mr. P.R. Fredman, formerly Cashier of the Denver Branch succeeded Mr. E.D. McAllister as Cashier of the Omaha Branch. In July, 1920, Mr. W.D. Lower formerly Chief Clerk was designated Assistant Cashier and placed in official supervision of Transit Operations, at which time Mr. William Phillips was designated Chief Clerk. The present directors and officers of the Branch are, as follows:

Directors	Officers
Mr. R. O. Marnell	Mr. L.H. Earhart, Manager.
Dr. P.L. Hall	Mr. P.R. Fredman, Cashier
Mr. Geo. E. Abbott	Mr. G.A. Gregory, Assistant Cashier
Mr. W. J. Coad	Mr. W.D. Lower, Assistant Cashier
Mr. L.H. Earhart	Mr. T. Gordon Sanders, Assistant Federal Reserve Agent and Branch Auditor.

Early in 1920 Mr. Geo. E. Abbott, President of the First National Bank, Cheyenne, Wyoming, was elected a director of the Branch to fill the vacancy caused by the resignation of Mr. J.C. McNish. Mr. W.J. Coad, Omaha, Nebraska, Vice President of the Packers National Bank, was elected director of the Branch on March 24, 1921, to fill the vacancy created by the death of Mr. Luther Drake.

A Discount Committee consisting of the Manager, the Cashier, and one Director, any two of whom constitute a quorum, are elected by the Board of Directors to serve for a period of one month.

The foregoing narrative history evidences a marked growth in the Branch itself as well as a material development in the territory which it serves and is believed to be conclusive of the benefits of the Federal Reserve System to the Nation's industry and commerce.

Respectfully submitted,

(Signed) L.H. Earhart, Manager

Since the history of the Omaha Branch was compiled on the occasion of the laying of the corner-stone for the new bank building in Kansas City the following matters of interest have transpired:

LOANS

The loans of the Branch, by the end of the year 1921 had dropped to $17,636,599.84 which was the lowest figure touched since 1919. The highest point reached during 1921 was $35,421,386.50 and the lowest was $14,325,614.55. 208 banks received accommodations during the year. These figures reflect the economic readjustment period through which the nation has been passing.

MEMBER BANKS RESERVE

The average daily reserve maintained by members in the Omaha Branch zone during the year 1921 was $14,646,339.00 against a daily average of $16,702,309.00 for the previous year. Improvement was manifested in the actual reserves maintained by members compared with their requirements and was reflected in a decreased number of deficiencies and a smaller amount collected on account of penalties for deficient reserves. $24,187.27 was collected from this cource in 1921 compared with a total of $60,765.58 for the year 1920.

DUE TO HEAD OFFICE

The accommodations granted members in the Omaha zone during 1921 continued in excess of the reserve deposits maintained, consequently the Branch books showed an indebtedness to the parent bank which fluctuated throughout the year from a minimum of $1,066,934.00 and $19,242,566.00, a maximum.

MEMBERSHIPS

The close of the year 1921 finds a net decrease in the total membership of the previous year of 13 members and a gain of two. The decrease of 13 members is accounted for by seven suspensions, 4 withdrawals and 2 mergers. The two gains comprise the First National Bank of South Sioux City, a new bank which was organized but which went into liquidation early in the year 1922 and the bank of Van Tassel, Wyoming, which was added to the list of State Bank members in the year 1921.

TRANSIT DEPARTMENT

In June of 1921 the names of 172 non-member banks located in Nebraska and ten non-member banks located in Wyoming appeared on the non-par list issued by the Federal Reserve Board. These names constituted the banks who refused to remit at par for items drawn upon them and whose transit relations with the Branch were not satisfactory.

The daily average number of transit items handled by the Omaha Branch for the year 1921 was 27,297 which shows a daily average increase in the number of items handled of 2,195 notwithstanding the additions to the non-par list since June of the past year.

The daily analysis record of outstanding member and non-member collection accounts for the zone indicates that such collections are being made well within the published time schedules.

TELEGRAPHIC TRANSFER SERVICE

The extent of the free service rendered to member banks in the matter of telegraphic transfer of funds is shown in the report of 1921. The total number of transfers between the Omaha Branch and other Federal Reserve Banks and Branches, including those within District No. 10 was 17,281 involving an aggregate amount of $536,961,179.94.

CURRENCY MOVEMENT

The operations of the currency department for 1921 shows an increase over previous years. A total of 140 member banks or 56% of the total membership received accommodations direct, either through shipments of currency to the Branch or the shipment of currency to the member.

During the year currency to the amount of $20,710,000 was supplied to banks in the Branch zone. Silver and subsidiary coin was supplied to banks in the amount of $371,000.

October 29th, the Branch was authorized by the Treasury Department to perform sub-treasury functions and received the necessary equipment in the way of currency cancelling machines.

United States notes and other Government issues are now redeemed and cancelled by the Omaha Branch before being forwarded to the Treasury Department.

FISCAL AGENCY

The year 1921 the volume of transactions handled by the Fiscal Agency Department of the Branch exceeded that of previous years.

In addition the Branch, acting as Fiscal Agents for the War Finance Corporation, disbursed a total to applicants in Nebraska of $3,804,550.15 to the close of the year.

EARNINGS AND EXPENSES

The net income for 1921 was $969,621.28 reflecting a decrease of $766,041.42 over the net income for the previous year. This falling off is almost wholely accounted for by the decrease in the volume of earning assets held throughout the year.

The expenses do not show much variation from the previous year.

BRANCH DIRECTORS

No change has taken place in the Branch Directorate since the history for the laying of the corner-stone was written.

OFFICERS AND EMPLOYEES

In June of 1921 Mr. T. Gordon Sanders, Assistant Federal Reserve Agent and Branch auditor was transferred to Kansas City and was succeeded at the Branch by Mr. Judd W. Jones.

In June also, Mr. William Phillips, previously Chief Clerk, was elected as Assistant Cashier of the Branch.

The number of employees at the close of 1921 was 123 compared with 129 at the close of the previous year.

CONCLUSION

The conclusion drawn from the detailed report previously submitted at the close of the year 1921 was that the banks served by the Omaha zone are gradually working themselves into a strong financial position and that a greater appreciation of the service rendered by the Federal Reserve Bank is becoming manifest, due to a better understanding of its purposes. This statement has been corroborated by events during the early months of the year 1922.

DENVER, COLORADO
APRIL
16
1921

A RECORD OF THE DENVER BRANCH OF THE FEDERAL RESERVE BANK OF KANSAS CITY TO BE DEPOSITED IN THE TREASURE BOX PLACED IN THE CORNER STONE OF THE NEW BANK BUILDING.

The Denver Branch was opened for business on January 14, 1918, pursuant to authorization of the Board of Directors of the Federal Reserve Bank of Kansas City. The territory assigned the Branch was the State of Colorado and the ten counties in New Mexico which are included in the Tenth Federal Reserve District; the member banks in that zone having the option of transacting their business with either the main office or the Branch.

The Branch began business in the Continental Trust Company Building, now known as the Interstate Trust Building, at the corner of Sixteenth and Lawrence Streets in Denver, Colorado, and at the time of this writing is still in that building. The quarters at first taken consisted of approximately one-half of the second floor being 2784 square feet of floor space. On July 1st of the same year the remainder of the floor was taken making the total floor space 5853 square feet. The growth of the Branch continued and on March 1, 1921, additional rooms on the third floor consisting of 792 square feet were added to the working space.

The Branch at first operated on a modified plan, the member banks' accounts being carried at the head office in Kansas City and reports of transactions being reported daily for entry in those accounts. Experience soon demonstrated that the plan was impracticable owing to the distance from the main office and that it required two days for mail to pass from one to the other. Therefore on April 1, 1918, the accounts of the members in the territory were transferred to the Branch and those members began transacting all of their business with it.

The Directors of the Branch at its opening were HON. ALVA ADAMS of Pueblo, Colorado; MESSRS. JOHN EVANS, ALEXIS C. FOSTER, CLIFFORD C. PARKS and CHARLES A. BURKHARDT, of Denver, Colorado.

Mr. Burkhardt was appointed Manager and holds that position at this time.

The Board remained unchanged until January 1, 1921, when ALVA B. ADAMS of Pueblo was appointed by the Federal Reserve Board to succeed Alva Adams; the other four named above being again appointed for the year 1921, and with Alva B. Adams constitute the Board at this time.

MR. PHILLIP R. FREDMAN, who was in the employ of the parent bank, came to the Branch at its opening and was appointed Acting Cashier. He held that position until January 1920 when he was made Cashier. On May 15, 1920, he was transferred to the Omaha Branch as its Cashier.

On May 27, 1920, MR. JOSEPH E. OLSON, who had been in the employ of the Branch since May 15, 1918, was appointed Cashier and MR. ALBERT J. CONWAY, who became associated with the Branch on April 9, 1918, was appointed Assistant Cashier. In January 1920 MR. REUBEN W. SMITH was appointed Branch Auditor.

At the opening of the Branch there were eleven employees. By the close of the year these had increased to thirty-eight; on December 31, 1919, there were fifty-six employees and one year later eighty-two. On April 1, 1921, these had increased to one hundred six.

The number of member banks in the zone at the beginning of business was one hundred thirty-four; on December 31, 1918, there were one hundred forty, the number increasing to one hundred forty-six by the close of 1919 and one hundred fifty-nine by the end of 1920. At this writing there are one hundred sixty-one members, being composed of one hundred forty-four national banks in Colorado, twelve national banks in New Mexico, and three state banks in Colorado, and two state banks in New Mexico.

The volume of business transacted by the Branch has shown a gradual and constant increase. At the close of 1918 the daily average number of items handled was approximately 9,000. The daily average for the month of December 1919 was 18,457 and for the same month in 1920, was 21,598.

During the year 1920 the Branch discounted 15,351 notes having a value of $252,615,992.40. One hundred and twenty-six of the banks assigned to the Branch availed themselves of the rediscount privilege during the year.

The Branch has supplied the members in its zone with their currency requirements and has received from them deposits of currency, the former amounting to $25,781,000.00 and the latter $32,696,000.00 during the year 1920.

A Government Department is maintained and during the year it paid for the account of the Government 198,318 United States Treasury Warrants amounting to $29,166,512.14. It also paid for Government account 870,047 coupons from Liberty Loan Bonds and Victory Notes and 497,425 War Savings Stamps. It received the deposits of the Collector of Internal Revenue amounting to $37,273,337.17 for the year 1920.

The Collection Department has shown a continued increase indicating that member banks are availing themselves more and more of the collection facilities provided by the establishment of the Federal Reserve Banks. During the year 1920 8,244 collection items amounting to $22,403,891.05 were received of which 7,564 amounting to $19,843,634.05 were collected.

The relations with our member banks have been pleasant and no controversies of serious nature have arisen. The same can be said of our relations with the non-member banks in the zone, this fact being corroborated by the fact that the Branch is collecting at par checks drawn on all banks in its territory.

Complete harmony prevails among the officers and employees and all show a desire to perform their duties in a manner that will reflect credit upon the Branch.

The young men in our employ have a club looking to the welfare and pleasure of all. A base ball team represents the Branch in the local Bankers League and it held third place out of eight contestants at the close of the 1920 season.

A basketball team also represents the Branch in a league composed of teams representing various banks and this team won first place in the winter season just closed.

The young ladies of our force also have a club known as the "Beta Rho Phi" of which Mrs. C.A. Burkhardt is the Patroness. The purpose of this club is principally social but it also looks to the welfare of its members.

(Signed) C.A. Burkhardt

Manager.

A BRIEF HISTORY OF THE OKLAHOMA CITY BRANCH OF THE FEDERAL RESERVE BANK OF KANSAS CITY, FROM THE DATE OF ITS OPENING TO APRIL 16th, 1921, THE DATE OF THE LAYING OF THE CORNER STONE OF THE PERMANENT HOME OF THE FEDERAL RESERVE BANK OF KANSAS CITY.

Acting under authority of the Federal Reserve Board, the Federal Reserve Bank of Kansas City on August 2nd 1920, opened a branch in the Continental Building, at the corner of Second Street and Broadway, Oklahoma City Oklahoma, the branch being officially designated as the Oklahoma City Branch of the Federal Reserve Bank of Kansas City.

Governor J.Z. Miller, Jr., Federal Reserve Agent Asa E. Ramsay, Director H.W. Gibson, and Assistant Cashier E.P. Tyner, of the Head Office were in attendance at the first regular meeting of the Board of Directors of the newly organized branch held on the opening day. The Directors of the branch, all of whom were in attendance at the above mentioned meeting, were: C.E. Daniel, Chairman of the Board, Dorset Carter, William Mee, and E.K. Thurmond, all of Oklahoma City, and P.C. Dings, of Ardmore, Oklahoma; Messrs Dings, Carter and Daniel being appointees of the Board of Directors of the Parent Bank and Messrs Mee and Thurmond appointees of the Federal Reserve Board.

On January 1st, P.C. Dings, who had removed his residence from Ardmore to Chicago, was succeeded on the Board by T.P. Martin,Jr. of Oklahoma City.

As evidence of the welcome extended to the new branch and as tokens of the appreciation of the efforts of those responsible for its establishment, the offices were profusely decorated with cut flowers presented by the banks and business houses of Oklahoma City.

The active management of the bank was vested in C.E. Daniel, as Manager, R.O. Wunderlich, as Cashier, both of whom had been for a considerable period prior to the opening of the Branch, in the employ of the Federal Reserve Bank of Kansas City. R.L. Mathes, also previously with the Parent Bank, was in charge of Auditing.

The territory allotted to the branch was all of the State of Oklahoma, with the exception of eight counties in the Southeastern part of the State, which were in the Eleventh District, and the operative powers and functions of the Branch were at the direction of the Board, briefly:

To receive deposits from banks within its zone and to make payments of money for and in behalf of the Federal Reserve Bank of Kansas City;

To maintain and operate departments for the clearing and collecting of checks, drafts and maturing notes and bills;

To receive from member banks within its territory applications for discount of eligible notes, and offers for sale of cable transfers, bankers' acceptances and bills of exchange, and to transmit such applications and offerings with recommendations to the Federal Reserve Bank of Kansas City for final action; and

To perform such other duties and services as might be requested of it by the Federal Reserve Bank of Kansas City, and by the Federal Reserve Agent of the Tenth District.

It was anticipated that the Transit Department of the branch would probably be called upon to handle about Twenty Thousand checks per day, and with this volume of business in mind, fifty people had been employed for the various positions. It was soon demonstrated, however, that the volume of business to be transacted had been underestimated, as in actual practice the branch was from the start called on to handle checks of an average number of Forty Thousand each day. It was therefore found necessary to make a considerable addition to the opening force. The largest number of items handled during the first six months of the Branch's existence was exceeded by only one other Branch Bank in the United States, viz: The Pittsburg Branch of the Federal Reserve Bank of Cleveland.

There being no vault in the building occupied by the Transit Department, suitable space was acquired by lease in the vaults of the American National Bank, situated at the corner of Main and Robinson Streets, and due to the delay in delivery of the necessary vault equipment, the opening of a currency department was delayed until December 1st 1920, but the volume of business transacted by that department after opening, was, like that in the transit department, greater than anticipated.

A private wire was maintained between the Branch Office and the Head Office from the date of the opening of the branch, by means of which the Parent Bank was enabled to enter on its books in Kansas City, on the date received and disbursed, all receipts and disbursements of the branch without resultant confusion.

On the 31st day of March 1921, the branch bank had in its employ, a very efficient force of Eighty Five people.

While the Federal Reserve Bank of Kansas City, was prior to the opening of the Oklahoma City Branch expeditiously handling all Oklahoma items received there, the fact that after the Branch was opened the number of items handled by it, while at the same time the number of items handled daily by the Parent Bank were apparently on the increase, was conclusive proof that the branch was in a large measure fulfilling the purpose for which it was established, that of rendering to the supporting member banks, the greatest amount of service possible.

Respectfully submitted,

(Signed) C.E. Daniel

Manager, Oklahoma City Branch.

B I O G R A P H I C A L S E C T I O N

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FACTS CONCERNING THE MEN WHO HAVE BEEN CONNECTED WITH THE FEDERAL RESERVE BANK OF KANSAS CITY AND ITS ORGANIZATION

Mr. E. P. Brown - Class C director - (May 29, 1931).

Succeeding Mr. Magee.

Mr. Brown comes from an old Lincoln family, his father having been Guy Brown, State Librarian in the early days. Mr. E. P. Brown graduated from the State University in Lincoln, with high honors, and for a number of years was a successful practicing attorney in this city, (Lincoln) with very bright prospects. His health failed, and about twenty years ago he discontinued his legal business and went on his farm. Health fully recovered but continues farming operations. Does a great deal of reading and some writing. He served for some time as a regent of the State University. Also served for a period as state senator. Owns 160 acre farm clear of encumbrance and keeps same well stocked. Is considered a man of unusual intelligence, well read and of broad education - perfectly sound in his views. Age - about 57. (Above information from P. R. Easterday, V. President, First National Bank of Lincoln.)

Address given as Arbor, Nebraska, about 10 miles north of Lincoln.

* * *

BAILEY, WILLIS J. , Was born at Mt Carmel, Ills., October 12, 1854 and received his education in the schools of Wabash County and at the Illinois State University. At the age of twenty-five he came to Kansas and on July 14, 1879 settled on a farm in Nemeha County. And, although he has been at various times since then a politician, banker and legislator, he has remained at all times primarily, a progressive agriculturist.

In 1888 Mr. Bailey was elected on the Republican ticket as state representative and in the legislature proved the champion of the farmers and stock growers of his state. His popularity among the business men and farmers of Kansas, and especially among the Republicans, was instrumental in his election for governor in 1902, when he successfully defeated Wm. H. Craddock, Democratic mayor of Kansas City, Kansas, also a very popular man in the state. He was inaugurated governor Jan. 12, 1903. One of his first acts was to recommend to the state legislature an additional $100,000 appropriation for the Kansas display at the Louisiana Purchase Exposition in St. Louis in 1904, a display which gained world fame for Kansas industry, agriculture and education. Again in 1903 and 1904 it was the business ability of the governor which guided the flood stricken cities of that state toward a solution of their problems of refinancing and rebuilding the stricken areas in town and city along the rivers. His administration throughout was one noted for economy and good business judgment.

While Mr. Bailey was a bachelor at the time he was elected governor, his marriage with Mrs. Ida Alberta Weeda occured on June 10, 1903, six months after his election. The reception held for the governor and his bride at the Kansas capitol was one of the notable social events in the State's history. Another notable reception held in the honor of himself and wife was on Sept. 30, 1904, at the Kansas day celebration during the Louisiana Purchase Exposition.

In politics, as in business, Governor Bailey bears the reputation in Kansas of being a fair fighter, a champion of worthy and honorable principles and a believer in a conservative people who do conservative things. His policy was also a constructive policy and he did not adhere to the fads of reformers unlessthe reformers had a feasible plan of bettering conditions.

Governor Bailey was championed by a host of friends and admirers for the position of Class A director when the organization work for the new Federal Reserve Bank began. He had strong opposition but won over his opponents by reason of his own ability and fitness. His reputation in the state had pointed him out as ably fitted for the position, and his record in that position has since fully justified the ambitions which his friends had for him. He was elected in 1914 and by lot was chosen for the 2-year term. He was re-elected, effective Jan. 1, 1917 and again Jan. 1, 1920. On June 22, 1922 he was elected governor of the bank to succeed J.Z. Miller, Jr. who resigned.

Characteristic of Governor Bailey was his spirit of fairness. While he held out strongly for his ideals, when he lost he was a good loser. If a vote placed him in the minority, he was the first to join hands with the successful ones and promise his support in their behalf.

BARLEY, GEORGE EDWARD:- Born July 20, 1872 at Washington, Kas., where he resided almost continuously until 1917. He finished high school at Washington and attended school at Atchison, Kas., since which time the greater part of his life was devoted to different lines of banking, fifteen years of which he was cashier of the First National Bank of Washington, Kas. He came to the Federal Reserve Bank in 1917, entering the Fiscal Agency Department. Here he organized the War Savings Division of that Department and later became manager of the Certificate of Indebtedness Division. He was made assistant cashier Feb. 27, 1919, and in January 1920 was placed in charge of the Accounting Department and the Analysis and Member Bank Reserves. Since 1920, he has been supervising officer of the Discount Department.

BOARDMAN, CHARLES KNIGHT;- Born January 28, 1882 at Odebolt, Ia. When he was ten years old his parents removed to Des Moines where he attended the public schools, including the North Des Moines High School, after which he was employed with the United States weather bureau in 1898 and 1899. He completed his education in the Iowa State College at Ames and the University of Wisconson at Madison, taking an agricultural course in the former institution and studying law in the latter. In 1903 he removed to Okeene, Okla., where he was connected with the First National Bank for about ten years. In 1913 he became secretary of the State Bankers Association of Oklahoma with offices in Oklahoma City. This position he held until November 1, 1917, at which time he became active with the Federal Reserve Bank as assistant Federal Reserve Agent. Later, on he was made secretary to the directors of the bank. Mr. Boardman was married October 25, 1905 to Miss Mabel Bowen of Carroll, Iowa.

BORLAND, WILLIAM PATTERSON:- Born at Leavenworth, Kansas, Oct. 14, 1867. Came to Kansas City in 1880. Graduated in 1892 from the Law Department of the University of Michigan. Helped organize the Kansas City School of Law in 1895 and was its Dean for 15 years until he resigned to go to Congress in 1910. Was married in 1904 to Owne Winants, daughter of W.H. Winants, a Kansas City banker. He is author of a text book on the Law of Wills and Administrations, also joint editor of Kelley's Treatise on Probate Law. Died while abroad in 192 .

BURKHARDT, CHARLES A.:- Born January 2, 1869, at California, Mo. He was in the mercantile business at the same town from June 1886 to January 1, 1890. On the latter date he became a bookkeeper in the Farmers & Traders Bank of his native town. On January 1, 1893 he was made Assistant Cashier, and in November 1896, was made Cashier of that bank. He held the latter position until August 1, 1905, when he resigned to accept an appointment as State Bank Examiner in Missouri. He held the position as Examiner until August 1, 1907, when he returned to the Farmers & Traders Bank as Cashier. He resigned that position on September 1, 1908 to become Cashier of the Produce Exchange Bank of Kansas City, Mo. In March 1910, he became Assistant Cashier of the National Reserve Bank of Kansas City, Mo., which position he resigned on Jan. 1, 1914 to move to Denver. When the Denver Branch of the Federal Reserve Bank of Kansas City was authorized in the fall of 1917, he was elected a Director and Manager of that Branch and became associated with the Federal Reserve Bank of Kansas City, on December 1, 1917, and on January 14, 1918, the Denver Branch was opened with him as Manager. The latter position still being held.

BYRNE, THOMAS C.:-Born in St. Joseph , Mo., and first started to work as a messenger boy in the wholesale dry goods house of Brittain, Ovelman & Co. in 1874, when he was 14 years old. His experience and training in the wholesale dry goods business was very general and he occupied successively positions of office boy, shipping and receiving clerk, stock clerk in the merchandise end of the business, house salesman, traveling salesman, and later as buyer and department manager. On January 1, 1890, he was active in promoting and establishing the wholesale dry goods business of Richardson-Roberts-Byrne Dry Goods Co. Ten years later he moved to Omaha where he became President of Byrne & Hammer Dry Goods Co. of that city.
Mr. Byrne became Class B Director on the Board of the Federal Reserve Bank of Kansas City when the bank was established in 1914. Mr. Byrne at that time was elected by the member banks of Group 2, and he was also elected to succeed himself by the banks of Group 2 for his present term, which commenced January first of this year.

DOWNING, JOHN F.:- Born in Illinois, in 1854. He entered the banking business in his native state but came to Kansas City as paying teller at Armours from 1882 to 1885. He engaged in the real estate and loan business from 1885 to 1889. He became president of the New England National Bank in 1898. He married Miss Jessie Burnham of Illinois.

CROSS ,JOHN LELAND :- Born at Pelham, Ala., March 16, 1886, son of Mr. and Mrs. William Shelby Cross. He was educated in district schools of his native town, and his advanced education was received at Howard College, Birmingham, Ala. His early business connections were in Birmingham with the Southern Railway, and finally with the First National Bank, with which latter institution, W.P.G. Harding was connected until he became Governor of the Federal Reserve Board. When Mr. Harding went to Washington to take up his position for the government, Mr. Cross also became connected with the Board at Washington as Federal Reserve bank examiner.

It was in connection with his examination of the Kansas City bank with J.A. Broderick in Nov. 1915, that Mr. Cross became acquainted with the officers and directors of the bank. At the completion of this examination Mr. Cross was loaned to the bank by the Federal Reserve Board to establish some new methods in connection with the bank operations. Later, on Jan. 11, 1917, Mr. Cross became deputy governor and served in that capacity until his resignation Feb. 19, 1919, at which time he went to the National City Bank of New York as vice-president. Mr. Cross was married Oct. 12, 1911 to Miss Rose Atherton Jones of Anniston, Ala.

EARHART, LLOYD H. :- Born on a farm near Hiawatha , Kansas, December 5, 1888, where he lived until 1909. When 21 years of age he entered the employ of the First State Bank of Fallis, Okla. He remained in the employ of that institution and in the lumber interests of its president until April, 1911. From that date until July, 1917, he was with the Drovers National Bank and the Stockyards National Bank of Kansas City, Mo. He entered the employ of the Federal Reserve Bank of Kansas City Aug. 8, 1917, as general utility clerk, succeeding to the position of Assistant Cashier on Jan. 1, 1919. In March, 1920, he was designated as Manager of the Omaha Branch of the Kansas City Federal Reserve Bank.

EASTMAN ,OSGOOD TILTON,:- Born January 18, 1865, at South Braintree, Mass. He started a business career in Omaha with the Union Pacific Railroad. After four years of service he was transferred to Kansas City as chief clerk to the Assistant General Freight Agent. From 1891 to 1906 he was with Searle & Hereth Company, manufacturing chemists, in Chicago; from 1906 to 1908, credit manager of Morrison-Plummer & Company, wholesale druggists, Chicago; from 1908 to 1917, Assistant Cashier of the First National Bank, Omaha, in charge of country bank accounts; from 1917 to 1920, manager of the Omaha Branch, Federal Reserve Bank of Kansas City. In 1920 Mr. Eastman resigned to become Vice President of the Merchants National Bank, Omaha.

FLEMING, COL. FRED W.:- Born August 8, 1866; Educated in the public schools of Aroostook, County, Maine; attended Houlton Academy and graduated from Ricker Classical Institute, Houlton, Maine, in 1885. He came to Kansas City in the spring of 1885, had has lived here ever since. His first employment was as bookkeeper in a life insurance company. Later he worked for Bradstreet's Mercantile Agency as city solicitor. He then entered the real estate and mortgage business on his own account. In 1904 he bought the Kansas City Life Insurance Company, and was its chief executive officer, serving as Chairman of the Board of Directors until 1918, when on account of impaired health he resigned his position with that company.

Colonel Fleming gained his military title through service in the Spanish-American War in 1898. He enlisted in the National Guard of Missouri in 1886, and filled every position in the Third Regiment, National Guard of Missouri, from enlisted man to commanding officer. His administration of the affairs of the Kansas City Life Insurance Company during his fourteen years' connection with that institution was brilliantly successful.

Colonel Fleming was Chairman of the first War Drive Campaign for the American Red Cross in Kansas City during the summer of 1917. Kansas City's quota was $300,000, and the amount of money realized was approximately $1,800,000.

In the fall of 1917, he was appointed by Secretary of the Treasury, William G. McAdoo, one of the Federal Directors of the War Savings Movement helping put his district first in per capita sales of War Savings securities in the United States. While engaged in this work, Colonel Fleming suffered a physical break-down and, on the advice of his physicians, retired from active business for three years, which time was largely spent in foreign travel, including a trip to Alaska and a six months visit with his family in Europe. Upon his return to Kansas City in the fall of 1920, he was appointed one of the receivers of the insolvent Kansas City Railways Company. In conjunction with Francis M. Wilson, his co-receiver, he caused the railways company to make rapid progress in a financial way.

Colonel Fleming is a member of the Christian Church, and Chairman of the Joint Board of Christian Churches in Greater Kansas City; also a trustee of the Christian Church Hospital, and of Christian College, of Columbia, Mo. as well as Chairman of the Official Board of the Independence Boulevard Christian Church.

For many years he took an active part in the affairs of the Trans-Mississippi Congress and the International-Irrigation Congress, serving as president of both bodies. As chairman of the Committee on State and National Legislation, he took an active part in the enactment by Congress of the National Reclamation Act.

Colonel Fleming is a member of the Kansas City Club; the Hillcrest Country Club; Blue Hills Golf Club; Mid-Day Club; Automobile Club; Kansas City Athletic Club; Broadmoor Golf Club, Colorado Springs; the Kansas City Symphony Orchestra Association; and the Priests of Pallas. He is also a member of the National Geographic Society; Art & Archaeological Institute of America; American Academy of Political Science and the National Municipal League.

He was appointed Class "C" Director of the Federal Reserve Bank effective January 1, 1916 to fill the unexpired term of Director Ramsay who resigned October 1, 1915 to go with the Drovers National Bank as Vice President. Mr. Fleming was re-appointed in 1917 and again in 1920. He was always a faithful and interested member of the board and fulfilled his obligations to the government, the bank and to the people of his district in a thoroughly conscientious manner.

FROST, ALFRED GOLD, :- Born in Galesburg, Ills., July 1, 1874. In 1881 Mr. Frost's family removed to Topeka, Kansas, where his father was in the Land Department of the Santa Fe Railway Company from 1872 until 1898. From the public school and high school of Topeka, Alfred Frost attended Washburn University and later entered Knox College at Galesburg, an institution of which his great grandfather, John Frost, had been one of the organizers. After leaving this college, Mr. Frost entered the University of Kansas where he graduated in the class of 1895. The following year he went to Mexico where he spent sixteen years, nine years of which he was with the Mexican Central Railway in various capacities at Mexico City. While in Mexico Mr. Frost was cashier of the Mexico City Banking Company which did a large foreign business. Returning to Kansas in 1912 he made farm loans for five years with the Farm Mortgage Company of Topeka, and similar work for one year with the Commerce Trust Company of Kansas City. He came to the Federal Reserve Bank January 18, 1918, in connection with the Liberty Loan work in the Fiscal Agency Department and was elected assistant cashier January 8, 1920. He assumed charge of the Department .

GOEBEL, PETER W. :- Born in Nassau, Germany March 18, 1859; finished public school course at 14 years and with consent of parents came to America. Worked for a farmer near Chicago until coming to Kansas in . While learning the English language he clerked in a drug store and took care of his employer's horses. When 19 years old he had saved enough to purchase a drug store of his own. In 1882 he became cashier of the banking firm of M. Reed & Co., Louisburg, Kansas. Organized the Commercial National Bank of Kansas City, Kansas in 1897 and became its president. Organized the Citizens State Bank in the same city in 1905 and 1907 organized the Kansas Trust Company of which he is he head. He married Mary Shaw of

GOODRICH, JAMES E. :- Born Cameron, Clinton County., Sept. 20, 1871. Lawyer. Parents live at Cameron. Graduated from High School 1888 as valedictorian, entered University of Missouri and took A.B. in 1892, cum laude. Took Bachelor of Law degree here. Practiced law first in Cameron, was cashier, First National Bank, Cameron for two years. Practiced law again with Thomas E. Turney. City attorney five years. In 1898 he was Republican canditate for Congress and in 1900 delagate to Republican National Convention. Came to Kansas City in 1901. He was a member of the Republican Central Com. four years. In Nov. 1907 was elected Judge, Div. No. 5 of 6th judicial district. Married in 1894 to Miss Harper Higgins. Belongs to Central Presbyterian church.

HELM, JAMES WILSON, :- Born in Champaign, Ills., January 21, 1882. He spent his youth in Danville where he attended public school and high school. He was a student in the University of Illinois in 1898-1899. His first banking experience was with the Comptroller of the Currency in Washington where he was a clerk in the division of reports and examinations from 1903 to 1912 under Comptroller William Barrett Ridgely and Lawrence O. Murray. For three years following this he was engaged in the real estate and investment business at Pittsburgh. From there he came to the Federal Reserve Bank of Kansas City November 1, 1917, as clerk in the Bond Department. He became assistant cashier _ Jan. 1, 1919, acting cashier in March 1919 and was elected cashier at the meeting of January 1, 1919. Mr. Helm was married on September 24, 1917 to Ann Louis Smart, a daughter of D.O. Smart, a pioneer realtor of Kansas City.

HORD, HEBER :- Born June 1, 1877 in Crawford County, Ohio, son of Thomas B. Hord and Sarah M. Hill. During his youth the family removed to Cheyenne, Wyo. where he received his first schooling and later to Merrick County, Neb. While living in this county he attended the rural school and later Central City High School in Central City, Nebr. Following his high school education he took a business course at Overland, Ohio, returning home to Nebraska where he remained with his father until the latter's death in 1910. At this time he took charge of the stock business which he had helped build up until the name became one of the best known names among the stock breeders and shippers of the West. He was married April 12, to Effie Barge of Central City, Nebr. He was appointed Class "C" director by the Federal Reserve Bank effective Jan. 1, 1922. His judgment and experience in agriculture and in stock raising and marketing have made his services as a director very valuable to the bank.

JONES, GORDON :- Born December 20, 1864 at Richmond, Ky. He studied at William Jewell College, Liberty, Mo. In 1887 he became interested in a banking institution at Lathrop, Mo. with an older brother, and later with the bank of Odessa, where he became Vice President in 1889. While in that office he was influential in securing the enactment of legislation in Missouri, creating the office of State Bank Examiner, and providing for regular examinations of banks organized under the state laws. He was Bank Examiner for $3\frac{1}{2}$ years. His next banking experience was organizing a Stock Yards Bank at St. Joseph, Mo. for the Swift Interests.

In 1901 Mr. Jones removed to Fountain, Colo. and became interested in banking there. Next year he went to Colorado Springs in the banking and trust business. Later he organized the Elbert County bank and in 1903 became President of the Union Stock Yards Bank of Denver. He was also later associated with the U.S. National Bank of Denver and became its President.

In 1908 he was President of the Colorado Bankers Association; in 1910 he was a member of the Executive Council of the American Bankers Association; in 1913 he was a member of the American Commission on Agricultural Credits, which commission traveled in Europe, studying foreign credit methods; in 1914 he became a Class "A" director of the Federal Reserve Bank of Kansas City. He died at St. Joseph Hospital, Denver, Colo. April 14, 1917, following a surgical operation.

KEMPER, WILLIAM T. :- Born in , Mo. in 1866. After receiving a high school education he became a shoe clerk and later a traveling salesmen. He came to Kansas City from Valley Falls, Kas. in 1893. Helped organize the Commerce Trust Company and for many years was Chairman of the Board of the National Bank of Commerce and the Commerce Trust Co. Was President for a number of years of the Kemper Mill & Elevator Co., Kemper Investment Co. of Kansas City, Kansas City, Mexico & Orient Ry. Co., Commercial Building Co. and other corporations. Has operated extensive farms, was a trustee of William Woods College from .

McADAMS, ARTHUR MARION :- Born at Salina, Kas. December 7, 1887. He attended public school and high school of Salina and upon his graduation entered the University of Kansas from which he graduated in 1911. From 1911 to 1917 he was in the banking business in Kansas. In September 1917 he came to the Fiscal Agency Department of the Federal Reserve Bank as a clerk. From January 1918 to the signing of the armistice of the world war, Mr. McAdams spent in the United States military service in France, returning in July 1919 to Kansas City. On September 1, 1919 he re-entered the services of the bank in the Fiscal Agency Department and on May 27, 1920 he was elected assistant cashier.

McCLURE, MEADE L. :- Born on a farm in Pennsylvania. He came to Kansas in 1882 when he was 19 years old. In 1883 he entered the banking business in Harper County, Kansas, in which business he remained until 1899 when he removed to Kansas City and became Vice-President and General Manager of the Drumm Live Stock Commission Co. Has been president of the Kansas City Live Stock Exchange and the National Live Stock Exchange, was an original class "B" director of the Federal Reserve Bank of Kansas City.

MALONE, RICHARD H. :- Born March 23, 1857 at La Grange, Tenn. Early entered the mercantile business to become in turn bookkeeper, grocer manufacturer, rancher, real estate dealer and investment broker. In 1913 and 1914 he was named by the government as director of the Crop Moving Fund which had been financed during the strenuous marketing periods of those two years just prior to the opening of the Federal Reserve Banks. The success with which he administered and directed these funds in the various Western localities, won for him the well earned thanks of the Treasury Department. It was natural therefore, that when there should be appointed three Class "C" directors for the Federal Reserve Bank of Kansas City, Mr. Malone should be named one of them. He served as director from 1914 to Dec. 31st, 1921, when he resigned at the close of his term. The confidence in which Mr. Malone hasbeen held by business men in his own state is attested by the fact that he was President of the Manufacturers Exchange of Denver in 1896 and President of the Chamber of Commerce in 1902.

MILLER, JO ZACH JR:- Born on a farm in Bastrop County, Texas on April 16, 1863. He is a son of William Addison Miller and Amanda Priscilla Elliott, who were married in Kentucky and came to Texas only a few months before the breaking out of the Civil War. The elder Mr. Miller was an invalid when he came West, and after farming for two years he removed to Belton, Texas in Dec. 1865, where he was a school teacher and county surveyor until his death at the age of 33 years. For a short time before his death however, he was engaged in a mercantile business with a private bank in connection, which he organized under the name of Miller Bros.

Left fatherless at 12 years of age, Jo Zach Miller, - he was named for his Uncle Col. Joseph Zachery Miller, Sr., - spent his boyhood days largely in the store and bank which were conducted by his mother and the uncle for whom he was named. The Miller Brothers bank and store formed one of the well known Texas frontier commercial houses in the early day. The subject of this sketch attended the free schools of Belton and later, in 1880 and 1881, finished his education at St. Louis University. Returning from college, Mr. Miller, at the age of 21, organized the Belton National Bank and managed it, although associated with his uncle who remained president of the institution until his death at the age of 90 years, in July, 1920.

On July 27, 1910, Mr. Miller sold his interest in the Belton National Bank and came to Kansas City as vice-president of the Commerce Trust Company, which position he held for four years until the organization of the Federal Reserve System in 1914. He was appointed Chairman and Federal Reserve Agent of the Federal Reserve Bank of Kansas City on Oct. 7, 1914. On Jan. 4, 1916, he was elected governor of the bank, being succeeded as chairman by Director Asa E. Ramsay. He remained governor until June 22, 1922, when he resigned and severed his connection with the bank, immediately thereafter taking a trip to Europe with his family, the first actual vacation he had taken since his connection with the Federal Reserve Bank. He was married Jan. 2, 1883 to Mary Elizabeth Mellor of Galveston, Texas.

Incorrect
Succeeded
by Chas. M.
Sawyer

To comment upon Governor Miller's ambitions, his business ideals and his methods of accomplishing success, would be to elaborate upon the preceding pages which write the history of the Federal Reserve Bank for its first eight years of existence. Determination and perseverance mark his life. He made no claim to brilliancy but from youth his habit of exhaustive thinking and planning in business matters spelled his exentual financial success. Throughout all his life Mr. Miller was interested in farming and some of his greatest efforts were in connection with ranch lands which he owned in Texas and on which he proved the fact that business judgment and science of farming can be successfully combined on the ranch.

MITCHELL, JOHN C. :- Born Feb. 29, 1860 at Freeport, Ills. He was in turn president and director of the Denver National Bank; director of the Bankers Trust Company, Colorado Fuel & Iron Company, Denver Gas & Electric Company, Great Western Sugar Company, Compressed Gas Corporation, and Agnes Memorial Sanitorium.

In 1880 he became bookkeeper for Field & Hill Mercantile Company of Alamosa, Colo., and was later assistant cashier and bookkeeper of the Bank of San Juan, from where he went to Durango with Daniels Brown & Company as assistant cashier and then cashier. This bank was later known as the Bank of Durango. In 1883 he was one of the organizers of the Carbonate National Bank of Leadville, Colo. where he held the positions of Assistant Cashier and Cashier.

Mr. Mitchell went to Denver in 1890 as cashier of the Peoples National Bank. A few months later he left this positon to become associated with the Rollins Investment Company where he remained until 1892, at which time he became cashier of the Denver National Bank. In 1912 he succeeded to the presidency of this institution. He became a Class "A" director of the Federal Reserve Bank of Kansas City in 1915.

NEAL, FERNANDO P. :-Born in Knoxville, Iowa, May 12, 1855. After completing his common school course he attended William Jewell at Liberty, Mo. Married Ida D. Adkins Jan. 27, 1880. Came to Kansas City in 1888 and the following year was made President of the Union National Bank which office he held until the bank ceased existence in 1908 in which year the Southwest National Bank was organized with Mr. Neal as its head.

OWEN, ROBERT LATHAM, :- Born February 2, 1856, at Lynchburg, Va. of Scotch Irish and Indian ancestory. Educated in Lynchburg, Baltimore, Washington and Lee University at Lexington, Va. Married Daisey Deane Hester Dec. 31, 1889. Has been teacher, editor, lawyer, banker and business man, served in various national offices of the Democratic party. First elected as United States Senator December 11, 1907, established the First National Bank at Muskogee in 1890, attempted to write a platform to prevent panics under the National Democratic Platform in 1896. Studied national finance in London, Paris and Burlin. Was Chairman of the Senate Committee on banking and currency in which he influenced the adoption of the Federal Reserve Act.

PARK, M.W.E. :- Born in Kansas City, Mo. August 19, 1888. He was educated in ward schools and Central High School. Mr. Park first entered banking in 1903 when he was employed by the American National Bank in Kansas City, Mo. This bank was merged with the National Bank of the Republic, which institution later became the National Reserve Bank. With these three institutions Mr. Park was associated from 1903 to April 15, 1916, at which time he entered the employ of the Federal Reserve Bank. His first work was in the Cash Department which at that time, was composed of one person. He remained in charge of this department which grew until it numbered at one time 39 persons. He was made assistant cashier on April 24, 1919. He was married on to Miss Leona D. Bonham of Chetopa, Kas.

PHILLIPS, JOHN JR. :- Born at Leavenworth, Kas., July 2, 1886. He attended the public schools of Shawnee County, after which he was enrolled for four and one-half years at Baker University, Baldwin, Kas. He left this institution on Christmas of 1905, to begin work with the First National Bank of Kansas City on January 7, 1906. He entered the employ of the New England National Bank in August, 1907, and remained there two and one-half years. Leaving February 1, 1910, he became associated with the First National Bank of Holton, Kas. where he remained three years, then going with Arthur Young & Company, certified public accountants in Kansas City as an examiner under Stanley Young. It was while in this position that he was loaned to the Federal Reserve Bank to assist in the Liberty Loan. On May 23, 1917, a few weeks after this work began, he associated himself entirely with the Federal Reserve Bank in the Fiscal Agency Department, soon becoming assistant manager. He was made acting assistant cashier in September 12, 1918. He became manager of the Fiscal Agency Department on February 27, 1919, and became assistant cashier Jan. 1, 1919. He was married September 22, 1909 to Miss Atha M. Dennis of Kansas City, Mo.

PIPKIN, GEORGE HOMER, :- Born April 9, 1886 on a farm near Springfield, Mo., where he lived until he entered Drury College at Springfield. There he studied until 1906, at which time he took a course in a business college at Springfield and then entered the employ of the State Savings Bank at Springfield. He was in this position a year and a half, leaving it to enter the Farm Loan business in Springfield. In 1916 he came to Kansas City in the employ of the Federal Trust Company's Farm Loan Department. Later he was placed in charge of the Farm Mortgage Department of the Liberty Trust Company. Mr. Pipkin came to the Federal Reserve Bank in June of 1918. On February 27, 1919 he was made manager of the Discount Department. He became assistant cashier on May 27, 1920, remaining in charge of the discount activities of the bank. He was married October 4, 1911 to Miss Mio Gertrude Veirs of Springfield, Mo.

REED, JAMES A. :- Born near Mansfield, Ohio, November 9, 1861. Became a lawyer and was admitted to the bar in 1885. Came to Kansas City in 1887, elected to the United States Senate March 4, 1911 to succeed Major William Warner, Republican.

SMITH, G.M.:- Born Adams County, Ohio, Dec. 10, 1860. After a common school education attended Cornell College, Mt Vernon, Iowa. Entered the banking business and located in Kansas City in 1898, was with the National Reserve Bank and the Central National. In 1911 he helped organize the Commonwealth National Bank and became its president. Married Anna B. Pinnell in 1885.

SWINNEY, E.F. :- Born at Marysville, Va., August 1, 1857. Attended Military College at Blackburg, Va. Came to Fayette, Mo., in 1876 and was engaged as grocery clerk, Entered the Fayette Bank in 1878. Later went with the Richhill, Mo., bank. Became cashier of a new bank in Colorado City, Texas, where he remained until 1887, when he came to Kansas City as Cashier of the First National Bank. After thirteen years he was elected president. At one time he was director of the Chicago & Alton Ry. Co., also of the Fidelity Trust Co., and of the Missouri Savings Bank. He served several years as Treasurer of the Kansas City School Board. In 1905 he became President of the American Bankers Association. He became advisory councillor of the Federal Reserve Bank of Kansas City at its organization and has continued in its service since then. He married Miss Ida Lee of Howard County, Mo., in 1882.

TYNER, EDWARD PRICE, :-Born in Beloit, Kansas, May 30, 1882, later living a number of years in Concordia where he attended the schools. He was graduated from the University of Nebraska in 1904, coming soon after to Kansas City where he became exchange teller and bookkeeper for the American National Bank. When that institution was taken over by the National Bank of the Republic he continued with the organization until 1907. He went to the Interstate National Bank as a general employe in the bookkeeping and teller departments until 1914. Mr. Tyner's services with the Federal Reserve Bank began two days before the bank opened when he was general bookkeeper and paying teller. Later he filled the following positions, acting chief clerk, acting assistant cashier and was made assistant cashier in .

WARDELL, SAMUEL A.:- Born April 17, 1884 at Derby, Kas., where he was educated in the public schools and high school, graduating in 1898. In 1899 he attended Lewis Academy at Wichita, and the following year attended the Wichita Commercial College. In May 1901, he entered the employ of the Fourth National Bank of Wichita, in which institution he gained a general banking knowledge during ten years until May of 1911 at which time he was appointed state bank examiner. In February of the following year he was appointed assistant bank commissioner with J.N. Dolley. Until July of 1913, Mr. Wardell was associated with the banking business of Kansas but on the latter date he bought into the Bank of Excelsior Springs of Excelsior Springs, Mo., where he remained for four years. He began his services with the Federal Reserve Bank on July 16, 1917, in the Liberty Bond Department. In October of the same year he organized the Depositary and Certificate of Indebtedness Division. From this work he arose to the office of acting and auditor and finally on May 9, 1918, was elected auditor of the bank. Mr. Wardell was married June 17, 1905 to Miss Maude J. Elliott of Derby, Kas.

WORTHINGTON, CARROLL ALFRED:- Born at Grinell. Ia., April 25, 1881. In 1883 his parents, Mr. and Mrs. Theodore T. ~~[illegible]~~ removed to Tacoma, Wash., where the subject of this sketch attended the public schools until 1896, when he moved to Chicago, returning again to Tacoma in 1897 where he entered high school and later completed a two year course at Tacoma business college. The years of 1900, 1901, ~~and~~ 1902 ~~and~~ 1903 ~~spent in~~ he became a special student at the University of Chicago. The succeeding five years were spent were spent in the business world and in in several lines of commercial enterprise including advertising and the wholesale coal business. In 1906 he came to the National Bank of Commerce in Kansas City as private secretary to the president, W.B. Ridgely, former Comptroller of the Currency. In November of the same year he was made assistant national bank examiner for the Kansas City district. Early in 1911 he was called East to examine several banks and later in the year he became assistant to the president of the First National Bank of Pittsburgh, Pa. He left this institution in 1913 and returned to Chicago as secretary and assistant treasurer of a trust company, leaving this in May 1915 to return to Kansas City, this time as assistant clearing house examiner. Soon after his return here he became office manager for the Drovers National Bank where he remained until January 1917. He entered the Federal Reserve Bank at the beginning of 1917 as general assistant to the Cashier. ~~and became [illegible] connected with the Liberty Loan Work in the Fiscal Agency Department.~~ He was made manager of the Liberty Bond Department in June 1917, and ~~became~~ was elected assistant cashier the following month. At the resignation of Deputy Governor Cross he became assistant to the Governor, February 13, 1919. In January 1920, he was made deputy governor. He was married on May 13, 1903 to Miss Jane Augusta Wilkes of Chicago, Ills.

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APPENDIX

History of Central Banking in the United States

The concept of central banking in the United States originated with Alexander Hamilton, the first Secretary of the Treasury of the United States. As one historian put it:

> Hamilton's ideas of the functions of the proposed national bank coincide with the objectives of the present Federal Reserve System as given by the Board of Governors. [citing Federal Reserve System, Its Purposes and Functions, p.115] Truly Hamilton was a man far ahead of his time in his concepts of money and banking.1/

Hamilton felt strongly that a national bank, patterned on the Bank of England, was crucial to the economic development and the monetary stability of the new country. His plan provided for the private ownership and operation of such a national bank. On December 14, 1790, Hamilton submitted a report to the House of Representatives, later forwarded to the Senate, which contained a plan for the institution of a national bank. With respect to the direction of the proposed bank, Hamilton stated:

> ". . . To attach full confidence to an institution of this nature, it appears to be an essential ingredient in its structure, that it shall be under a private,2/ not a public direction, under the guidance of individual interest, not a public policy which would be supposed to be, and, in certain emergencies, under a feeble or too sanguine administration, would really be, liable to being too much influenced by public necessity. The suspicion of this would most

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1/ E. Taus, Central Banking Functions of the United States Treasury, 1789--1941 18 (1943).

2/ Double underscoring indicates italicized words.

probably be a canker that would continually corrode the vitals of the credit of the bank, and would be most likely to prove fatal in those situations in which the public good would require that they should be most sound and vigorous. It would, indeed, be little less than a miracle, should the credit of the bank be at the disposal of the Government, if, in a long series of time, there was not experienced a calamitous abuse of it. It is true, that it would be the real interest of the Government not to abuse it; its genuine policy to husband and cherish it with the most guarded circumspection, as an inestimable treasure. But what government ever uniformly consulted its true interests in opposition to the temptations of momentary exigencies? What nation was ever blessed with a constant succession of upright and wise administrators?

"The keen, steady, and, as it were, magnetic sense of their own interest as proprietors, in the directors of a bank, pointing invariably to its true pole, the prosperity of the institution is the only security that can always be relied upon for a careful and prudent administration. It is, therefore, the only basis on which an enlightened, unqualified, and permanent confidence can be expected to be erected and maintained.

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"As far as may concern the aid of the bank, within the proper limits, a good government has nothing more to wish for than it will always possess, though the management be in the hands of private individuals. As the institution, if rightly constituted, must depend for its renovation, from time to time, on the pleasure of the Government, it will not be likely to feel a disposition to render itself, by its conduct, unworthy of public patronage. The Government, too, in the administration of its finances, has it in its power to reciprocate benefits to the bank, of not less importance than those which the bank affords to the government, and which, besides, are never unattended with an immediate and adequate compensation. Independent of these more particular considerations, the natural weight and influence of a good government will always go far towards procuring a compliance with its desires;

and, as the directors will usually be composed of some of the most discreet, respectable, and well informed citizens, it can hardly ever be difficult to make them sensible of the force of the inducements which ought to stimulate their exertions.

"It will not follow, from what has been said, that the State may not be the holder of a part of the stock of a bank, and, consequently, a sharer in the profits of it. It will only follow that it ought not to desire any participation in the direction of it, and, therefore, ought not to own the whole, or a principal part of the stock; for, if the mass of the property should belong to the public, and if the direction of it should be in private hands, this would be to commit the interests of the State to persons not interested, or not enough interested in their proper management.

"There is one thing, however, which the Government owes to itself and to the community--at least to all that part of it who are not stockholders--which is, to reserve to itself a right of ascertaining, as often as may be necessary, the state of the bank; excluding, however, all pretension to control. This right forms an article in the primitive constitution of the Bank of North America; and its propriety stands upon the clearest reasons. If the paper of a bank is to be permitted to insinuate itself into all the revenues and receipts of a country; if it is even to be tolerated as the substitute for gold and silver in all the transactions of business, it becomes, in either view, a national concern of the first magnitude. As such, the ordinary rules of prudence require that the Government should possess the means of ascertaining, whenever it thinks fit, that so delicate a trust is executed with fidelity and care. A right of this nature is not only desirable, as it respects the Government, but it ought to be equally so to all those concerned in the institution, as an additional title to public and private confidence, and as a thing which can only be formidable to practices that imply mismanagement. . . ." (Emphasis added)3/

3/ 1 Reports of the Secretary of the Treasury 54, 70-72 (1837).

Congress authorized the First Bank of the United States ("First Bank") by the Act of February 25, 1791, giving it an exclusive charter for 20 years. The Bank was incorporated with a capital of $10 million, of which $2 million was subscribed by the United States. About three-quartrs of the stock was held abroad, but non-United States residents were prohibited, by the Bank's charter, from voting. The voting stockholders annually elected twenty-five directors.4/

The First Bank could issue debt obligations without regard to deposits, subject only to the limitation of its authorized capital. These bank notes were circulated in lieu of gold or silver and represented a debt which the First Bank was obligated to redeem in gold or silver upon presentment. The Act of February 25, 1791 further authorized loans to be made to the Government of the United States or to any State, again subject only to a specific dollar limitation unless otherwise authorized by statute. Directors of the First Bank were authorized to establish branches a power that was exercised in the principal commercial cities. The Bank was not empowered to purchase any public debt although it was permitted to sell any part of the Government obligations that were used to purchase its capital stock.

4/ Federal Banking Laws and Reports: A compilation of major Federal banking documents, 1780-1912, Sen. Comm. on Banking and Currency, 88th Cong., 1st Sess. 74 (1963) (hereinafter "Federal Bank Laws and Reports")

The First Bank was formed pursuant to Hamilton's original plan, including his desire that the Bank remain independent of the operation of the Government. The charter required that the First Bank submit reports of its condition to the Secretary of the Treasury from time to time. It is unclear how frequently such reports were made, although two reports were made to Secretary Gallatin when he unsuccessfully attempted to have the charter renewed in 1811.

Although not required by charter, much of the Government's funds were deposited in the First Bank. There was no formal monetary policy at the time; however, it is clear the the First Bank implemented informal monetary policy for the country.5/ Like all of the local banks then in existence, it was both a debtor and creditor bank. As the main Government depository, the Bank would receive large volumes of state bank notes which represented the predominant form of Government receipts. By requiring payment of such notes in specie or by failing to press state banks for such payment, the First Bank was able intentionally to control the economy. Where state banks were required to make payments in specie for their bank notes, the First Bank exercised a restraint upon the banking system, just as open market sales would today. If a state bank issued large volumes of notes, they were subject to greater pressure.

5/ F. Redlich, The Molding of American Banking--Men and Ideas, pt.1 96-98 (2d Imprint 1951).

If large amounts of specie were demanded, a state bank would be forced to become less active for fear of depleting its specie. In periods when the flow of currency was tight, the First Bank could and did refrain from demanding payment in specie.6/ While there appear to be records of several instances in which the Secretary of State interceded for state banks requesting the

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6/ F. Redlich discussed the role of the First Bank in controlling the money market, id. at 99-100.

> In an age which had hardly begun to understand the question of specie reserves, the board of the Bank not only guarded its own reserves by restricting its note issues in times of stress, but, working hand in hand with the mint, even tried to protect those of the American banking system as a whole. Consequently the specie holdings of the First Bank of the United States, like those of late nineteenth-century central banks, came to reflect the economic activities of the country and especially those in foreign trade. . . . Discount policy was not yet devised at the time under investigation, and one can only regret that the proposal to discount below the legal interest rate, . . . was turned down by the board of the First Bank of the United States. Otherwise regardless of the limitations due to the existence of a legal interest rate it might have discovered before the directors of the Bank of England did that a money market can be controlled by raising and lowering the discount rate. Failing to make this discovery the directors of the Bank of the United States could exert that control only by deliberate and carefully dosed expansion and contraction of their note issues and by presenting promptly for redemption such notes of other banks as came into their possession. Controlling the money market, of course, implied gaining influence over the activities of other banks. The Bank was able to exert such influence because of its (for the time) large capital and its very cautious policy which

First Bank to refrain from demanding payment in specie, the primary responsibility for regulating the money markets remained with the First Bank.7/ As Hammond notes, the restraint exercised by the First Bank on other bank lending later became known as central bank control of credit.8/ He goes on to compare the systems in the United States and Great Britain at the time:

> The Bank of England was performing a similar function in Britain, but it operated on the demand for credit, whereas the Bank of the United States operated on the supply. That is, in the States,

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6/ (Cont'd)

> made the other banks its debtors, as a matter of course. (When the board of the First Bank of the United States believed that the other banks had overexpanded their loans and issues, heavy specie demands were made on them.) In order to appreciate this achievement, one should keep in mind that the First Bank of the United States was in many respects less fitted to act as a central bank than its successor, the Second Bank of the United States. It had no monopoly on the public deposits and did not receive currently from the Collectors the notes of other banks, two facts which gave the Second Bank of the United States much of its power of control." (Emphasis added)

7/ In B. Hammond, Banks and Politics in America from the Revolution to the Civil War 200 (1957), it is stated that:

> ". . . Neither Hamilton, nor Wolcott, nor Gallatin refrained in the Treasury from assuming major responsibility for central bank assistance in special cases, though the routine performance of the function, as effected through current collection of balances due from the local banks, was left to the federal Bank." (Emphasis added)

8/ Id. at 199.

> with the private banking system engaged in furnishing credit expansively and liberally, the task of the central bank was performed by pressing the private banks for redemption of their notes and checks and thereby restraining their extension of credit. . . . Typically, the Bank was creditor of the private banks, on balance; to-day it would be debtor, holding their reserves as the Federal Reserve Banks now do.9/

Despite the strong economic condition of the country and the efforts of the Secretary of the Treasury Gallatin, the charter of the First Bank was not renewed. Many reasons have been cited for the failure to continue the charter. The primary reasons were pressure from the state banks and the antipathy of the Jeffersonians on the basis of constitutional grounds. With regard to the former, Redlich stated:

> ". . . Years later Albert Gallatin, looking at another aspect of its activities, correctly stated that the First Bank of the United States if not dissolved would have kept the state banks within proper bounds. As a matter of fact, its ability to do so, as mentioned before, was an important reason for its downfall. Its enemies claimed that if the First Bank of the United States were rechartered 'all the state banks [would] become subservient to its views and as thoroughly subject to its influence,' and one writer doubted 'whether [in this case] any state bank from Georgia to Maine would for beneficial purposes exist another day.' ('Beneficial' meant, of course, for the purpose of increasing the available loanable funds.) Another argument against the Bank was that through its agency the government was gaining power over 'the metallic medium of the whole country.' All these statements imply an intuitive, although inarticulate, understanding of the fact that <u>the First Bank of the United States had risen from being one out of many money banks to being what is called today a central bank</u>. The only argument which

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9/ Id.

a defender like Matthew Carey could put up was the assertion that the state banks in fact were not dependent on the Bank of the United States and could not be so because together they had more capital. If it is taken for granted that Carey was honest in his statement, one sees how little even such a good economist knew about the mechanism of monetary (central bank) control which the board of the Bank had put into operation."10/ (Emphasis added)

With regard to the latter reason for the discontinuance of the First Bank, the issue of the constitutionality of a separate corporation functioning as a central bank had been a question debated from the initial proposal put forth by Alexander Hamilton.

During the period between the end of the First Bank in 1811 and the chartering of the second Bank of the United States ("Second Bank") in 1816, state banks rapidly increased in number as did the volume of bank notes.11/ The expansion of credit which naturally accompanied the increase in the number of banks was further fueled when in 1814 the banks generally suspended payments in specie. Until then, specie payments had worked as a check against the banks' ability to lend, as the availability of specie was limited. The suspension, however, allowed the banks to lend without regard to their ability to redeem in specie. Although justified during the war years when there was extreme demand for credit, the general suspension,

10/ F. Redlich, supra n.4, at 100.

11/ B. Hammond states that by 1816, 246 banks were in operation. B. Hammond, supra n.6, at 146.

which continued even after the war ended, helped produce, by 1816, tredmendous depreciation in the value of the currency.12/ Not only were specie payments suspended, but state banks refused to accept each other's notes at par, thus leaving the country without any common medium of exchange.13/ Under these circumstances, not only was trade impaired, but the Treasury suffered loss in revenue, as well, when it accepted as payment state bank notes.14/

It was generally believed that a stable and uniform currency could be brought about when state banks resumed making payments in specie. To enable resumption of specie payments, it was estimated that state banks would need to withdraw a sizable portion of their notes in circulation.15/ It was, however, doubtful that the state banks would voluntarily withdraw their notes and curtail their profitable lending practice.

Without a national bank, and while the general suspension continued, Congress' power to regulate the value of the currency was limited. It was even said by many that that power was in effect exercised by state banks, institutions not

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12/ 29 Annals of Cong. 1062-1063 (1816).

13/ R. Catterall, The Second Bank of the United States 4-5 (1903).

14/ 29 Annals of Cong. 1083 (1816).

15/ Id. at 1064.

responsible for the correctness with which they managed it, to the detriment of the whole economy.16/ It was under this framework that in 1815 President Madison asked the Congress to consider creating a national bank, and many in the Congress supported the chartering of the Second Bank.

In March of 1816, Congress considered the bill that was passed the following month in the form of the Act of April 10, 1816 creating the Second Bank. There were differing views as to the advisability of Government involvement in the bank.

> "Mr. Ross advocated the motion to amend the bill. He did not believe, as had been argued, that a participation in the bank would strengthen the arm of the Government, or be very profitable. If, however, the arm of Government was to be strengthened by weakening that of the citizens, and uniting with a privileged aristocracy, he was decidedly opposed to it. He did not wish Government to become partners in such a privileged order. If the reasons for retaining the principle in the bill were correct, he thought the proportion allowed too small. If Government was to derive this great profit from the participation, its share was not great enough. It had been said that the influence of one bank (the Manhattan) could have prevented the election of Mr. Jefferson to the Presidency; if that bank had been under Executive control, he believed its power would have been exerted. This was a proof of the danger of giving Government a great influence in such institutions. He was opposed to the plan chiefly from his objections to joining a moneyed aristocracy, and his fears that it might operate injuriously to the liberties of the country, &c."17/ (Emphasis added)

16/ *Id.* at 1961.

17/ *Id.* at 1119.

Mr. Wright, on the other hand:

> ". . . wished to see the bank possessed in part by the Government, and partly by the citizens, because the stock of it would be extremely profitable. The Government ought to have an interest in the bank, as they would thereby be informed of all the plans which might be at any time entertained by the directors of so powerful an institution. He was not afraid, however, to trust our citizens, nor ought they to be suspicious of the Government; and the participation of the Government could not, he conceived, be productive of injury or mischief."18/

There was, however, a strong view that banking should be something apart from Government. The Congress thus rejected several proposals as too oriented toward the Government.19/ One proposal called for a bank with capital of $50 million, $20 million of which was to be subscribed by the United States. In addition, the bank would be obligated to loan the United States $30 million as soon as it went into operation, and the President of the United States would have the power to suspend specie payments. Another proposal that the Congress rejected called for limiting the choice of the president of the Second Bank to one of the directors appointed by the President with the advice and consent of the Senate. This proposal was rejected by a vote of 80-46.

> "Mr. Ross could see no reason why the President of the bank should not be selected from the whole twenty-five directors, if it was the

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18/ Id. at 1118.

19/ B. Hammond, supra n.5, at 232.

object to get the best man. If the President and Senate appoint a director the most proper for the office, he would doubtless be elected, but if not, why exclude the fittest character? . . . <u>He condemned the policy of giving so much additional strength to the Executive arm. Alexander Hamilton himself, in the zenith of his influence, would not have dared to propose such a grant of power to the President, as the control and regulation of a great moneyed institution</u>. Mr. R. concluded by saying he thought it would be much safer to adopt the amendment [to remove the restriction limiting the choice of president of the Bank to one of the five directors appointed by the President with the consent of the Senate] and withhold from the Executive so important a power, &c."20/ (Emphasis added)

Because the Second Bank was to be funded by the Government as well as by private stockholders, there was concern that its conduct would affect the credit and resources of the Government. As a means to help ensure that the Second Bank would not, like state banks, act in a manner contrary to the interests of the nation, Secretary of the Treasury Dallas proposed that the Congress require that 5 of 25 board members be appointed by the President with the advice and consent of the Senate. The Congress, also recognizing the need to protect the public interest, incorporated Dallas' proposal in the charter of the Second Bank. As it was said at the time:

"the true policy in the creation of a bank, then, is to give it a double character--to combine in it the elements of public and private interest--but to secure to the former a control over the latter; for the Government which creates this institution is

20/ 29 Annals of Cong. 1151-52 (1816).

responsible for its fulfillment of the great objects of its creation. . . ."21/

The structure and function of the Second Bank were fundamentally the same as that of the First Bank. Several changes, however, are important to note. The Second Bank's capital was set at $35 million and its total liabilities restricted to that amount. The Government was still to subscribe to 1/5 of the outstanding capital. The Bank was specifically designated as a depository of Government funds, and specific provision was made for the establishment of branch offices of the Bank, each of which was to have between 7 and 13 directors appointed by the directors of the Second Bank. Under the new charter, 5 of the 25 directors were to be nominated by the President with the consent of Congress, and the remaining 20 directors were to be selected by the non-Government-affiliated stockholders. Furthermore, a bonus in the sum of $1,500,000 was to be paid to the United States in consideration of the 20-year exclusive charter.22/

The Second Bank had some degree of difficulty in the early years of its existence. However, in 1823 when Nicholas Biddle was elected President of the Bank, it came into its own as the nation's central bank. Indeed, Biddle has been characterized as "perhaps . . . the world's first conscious central

21/ Id. at 1144-45.

22/ B. Hammond, supra n.6, at 244-45.

banker," because he was fully aware of the central bank character of the Second Bank.23/ Redlich states categorically that none of the central banking functions performed by the Second Bank was more important than providing a sound currency.24/

Biddle took a strong, active role in developing the policies of the Bank and extended its activities in promoting a sound currency into such new areas as dealing in domestic bills of exchange and foreign exchange. Biddle attempted and succeeded to a large extent in securing a larger and more evenly circulating currency and in diminishing the note issues of state banks. He saw himself as a regulator of state bank note issues.

It must be remembered that Biddle's goal to achieve a sound currency had to be achieved without having a note-issue monopoly such as that granted modern central banks.25/ Thus, he concentrated on two primary interim goals: keeping the state-bank issues sound and putting into circulation a currency of uniform value nationwide, i.e., the Second Bank's notes.26/ He expanded the Second Bank's activity in the domestic exchange market and, by fine-tuning the mechanism for providing currency

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23/ F. Redlich, supra n.4, at 128.

24/ Id.

25/ F. Redlich, supra n.___, at 128.

26/ Id.

where needed in the country, through use of the Bank's branch system, he achieved a virtual monopoly for the Bank's notes.27/

Biddle believed that dealing in domestic exchange was not enough to create a sound national currency, but that, in addition, dealing in foreign exchange was essential, and, under his control, the Bank actively entered the foreign exchange market. The large outflow of coin from the United States, as a result of commerce between this country and Europe, caused serious repercussions on occasion.

> ". . . Therefore the 'conservative power' of the Bank over the currency necessitated its ability to interfere on such occasions in order to break the shock of a sudden demand and to give time to the state institutions to adopt protective measures for their own security. This ability could be acquired only by large scale participation in foreign exchange operations so that in any emergency the Bank could supply the most urgent needs of commerce out of its own accumulations and credits abroad. Thereby, at the same time, fluctuations of the exchange market could be prevented. Two reasons stand out clearly: Biddle entered the field of foreign exchanges in order to protect the currency from foreign influence and to counteract possible disturbances of business. The former goal finds its explanation in the Bank's obligation to 'preserve' the currency, the latter in the fact the Biddle took upon himself the function of keeping the country's business activities on an even keel, . . ."28/

Redlich provides a good summary of the operations of the Second Bank under Nicholas Biddle:

27/ *Id.* at 130.

28/ *Id.* at 131.

"Domestic and foreign exchange transactions grew originally from the Bank's obligations as transfer agent of the government and as the responsible regulator of the country's paper currency. They soon gained importance independently therefrom. The Bank as a 'national establishment,' a central bank as one would say today, was expected to 'equalize the domestic exchanges,' a somewhat sloppy expression, the meaning of which was not without ambiguities. As a matter of fact, the Bank's business in domestic exchange pertained not only to buying (discounting) and collecting transactions which would have been sufficient to back the Bank's issues and to provide for their uniform value; it also included the selling of domestic exchange whenever there was a legitimate demand. In consequence thereof, and in conjunction with actions previously described, the great mass of the American currency became more uniform than ever before and than it was to be for many years after the destruction of the Bank; . . .

* * * *

"As Biddle 'equalized' the domestic exchanges, he stabilized the foreign ones. Such stabilization resulted partly from his policy of buying foreign exchange during the season when it came into the market and selling it whenever it was needed. The Bank 'as a large and constant purchaser of bills prevent[ed] fluctuations in the demand, and as seller of them, in the supply.' But more important was Biddle's bridging temporary disequilibria between supply of and demand for foreign exchange by short-term loan transactions of the type normally concluded by modern central banks all over the world. As Biddle himself expressed it, he prevented mischief in the foreign exchange market by the temporary use of foreign credit. . . .29/

Biddle also considered it part of his responsibility to counteract cyclical as well as seasonal fluctuations and other disturbances affecting business. However, as Redlich

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29/ Id. at 132-134.

notes, although Biddle saw himself in the role of "managing" the currency:

> Since neither discount policy, open-market policy, nor the modern policy of varying reserve ratios had yet been devised, a statement which should be taken *cum grano salis*, Biddle did not possess a tool to stimulate business in dull times.30/

In normal times, he adopted a policy of issuing only short-term loans and making only those investments which could readily be converted into funds, so that when the business community agvain needed reviving, he could use those funds where they were most needed.

In addition, the Second Bank received large amounts of state bank notes in payments of taxes to the Treasury. As the First Bank did, the Second Bank used its discretion to either redeem these notes for specie or refrain from demanding redemption and thereby extend credit to the bank of issue. If the notes were redeemed, specie would be withdrawn from the state banks, forcing a contraction of credit in the banking system, just as open market sales would today. However, as Hammond notes, Biddle's tendency was to be liberal with the state banks and hold their notes, instead of demanding instant payment--"*a procedure followed, like present day open market purchases, at the Bank's initiative.*"31/ (Emphasis added)

30/ *Id.* at 135.

31/ B. Hammond, *supra* n.6, at 308.

In times of crisis or of boom as in 1825, 1828, and 1832, Biddle acted decisively to ready the Bank to deal with the coming systemic problems. For example, in 1825 Biddle sensed that a problem was developing and began to prepare for it.32/ He realized that the Bank had parted with too much of its specie in connection with the China trade, and he began to distribute the remainder so that it would be available at strategic points, especially New York. He also took steps to strengthen the Bank and improve its liquidity, so that when the crisis came the Bank was in a position to provide needed funds to state banks. In addition, the Bank took actions, such as presenting claims for specie against the state banks, "to induce them to adopt a more prudent course."33/ This action, of course, harks back to a method used by the First Bank to effect monetary policy.

When the crisis did occur in 1825, centering in New York, Biddle intervened in two ways. There was a demand for specie both from Canada and from a private individual who wanted to set up a bank in New Orleans. Biddle convinced the latter to take bills of exchange of New Orleans rather than withdrawing specie from New York. He also attracted metallic money into the parent bank in Philadelphia by paying interest, a novel approach at that time, on a large specie deposit made by a leading

32/ R. Catterall, supra n.12, at 106-107.

33/ F. Redlich, supra n.4, at 138.

brokerage firm which held funds in trust for a foreign government. Once the danger of a specie drain in New York passed, Biddle told the branch to expand its loans, and the Bank acted as a lender of last resort, finally breaking the crisis.34/

Hammond summarized the Second Bank's performance, under Biddle, of a "rounded and complete central banking function;" in the words of a friend of Biddle's:

> It regulated the supply of money; restrained the expansion of bank credit; governed the exchanges; safeguarded the investment market; protected the money market from the disturbing force of Treasury operations and of payents on balance, interregional and internatonal; and facilitated Treasury operation (sic) vis-a-vis the rest of the economy. . . . <u>Moreover, the Bank performed these functions deliberately and avowedly--with a consciousness of quasi-governmental responsibility and of the need to subordinate profit and private interest to that responsibility</u>.
>
> In view of these two things--the central banking performance of the Bank of the United States and Nicholas Biddle's lucid running commentary thereon--it is remarkable how Americans have abstained from considering any experience of their own in central banking prior to establishment of the Federal Reserve Banks. . . .35/ (Emphasis added)

Indeed, it is clear from Treasury Secretary Dallas' report to the Congress on the need for the Second Bank that the Bank's monetary policy role, *e.g.*, in controlling credit, and

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34/ F. Redlich, *supra*, n.4, at 136-138.

35/ B. Hammond, *supra*, n.6, at 323-25.

assuring a sound currency was one of the key reasons for its establishment. He believed that the state banks could not accomplish those goals on their own:

> It is a fact, however, incontestibly proved, that those institutions [the State banks] cannot, at this time, be successfully employed to furnish a uniform national currency. . . . The establishment of a national bank is regarded as the best, and perhaps the only adequate resource, to relieve the country and the Government from the present embarrassments. . . . Eminent in its resources and in its example, <u>the national bank will conciliate, aid, and lead, the State banks, in all that is necessary for the restoration of credit, public and private</u>.36/

In 1830, when the Senate was considering a bill to establish a uniform currency, the Congress was made well aware of the actions taken by the Second Bank to control state bank credit and smooth the wild fluctuations in the value of the currency. This is shown in the following two questons submitted to Mr. Biddle by the Senate Committee on Finance and National Currency and his responses:

> Q.4. When a State bank becomes indebted to the bank to an improper extent, what course do you pursue? Do you let them go beyond a certain amount, and what is that amount?
>
> A. The great object is to keep the State banks within proper limits, to make them shape their business according to their means. For this purpose they are called upon to settle, never forced to pay

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36/ M. Clark and D. Hall, Legislative and Documentary History of the Bank of the United States 613 (1967) quoting a letter from Dallas to the House of Representatives dated Dec. 7, 1815.

specie, if it can be avoided, but payment is taken in their bills of exchange or suffered to lie occasionally until the bank can turn around; no amount of debt is fixed because the principle we wish to establish is that every bank shall always be ready to provide for its notes.

Q.9. Since you commenced the purchase and sale of bills of exchange, has the rate varied; if so, to what extent?

A. The operations of the bank in exchanges has had the effect of preventing the great fluctuations to which they were previously liable.37/

Political reasons again led to the downfall of the central banking system in this country. President Jackson, an extremely popular figure, was against the renewal of the charter and indeed vetoed the bill. In considering whether the Second Bank should be rechartered, President Jackson had suggested that the benefits provided by the Second Bank might be obtainable if its powers were reduced and its structure was changed to a purely governmental body:

> It is thought practicable to organize such a bank with the necessary officers as a branch of the Treasury Department, based on the public and individual deposits, without power to make loans or purchase property, which shall remit the funds of the Government, and the expense of which may be paid, if thought advisable, by allowing its officers to sell bills of exchange to private individuals at a moderate premium. Not being a corporate body, having no stockholders, debtors, or property, and but few officers, it would not be obnoxious to the constitutional objections which are urged against the present bank; and having no means to operate on

37/ S. Rep. No. 104, 21st Cong., 1st Sess. 152-53 (1830).

> the hopes, fears, or interests of large masses of the community, <u>it would be shorn of the influence which makes that bank formidable</u>. The States would be strengthened by having in their hands the means of furnishing the local paper currency through their own banks, while the Bank of the United States, though issuing no paper, would check the issues of the State banks by taking their notes in deposit and for exchange only so long as they continue to be redeemed with specie. In times of public emergency the capacities of such an institution might be enlarged by legislative propositions.<u>38</u>/ (Emphasis added)

However, President Jackson made it clear that he was not actually proposing another bank in that form; he was simply calling attention to the elements in the Second Bank's charter that had to change if it were to be viable at all.

Indeed two years later President Jackson vetoed the bill rechartering the Second Bank in essentially the same form as it had had, *i.e.*, a mixed government-private corporation.<u>39</u>/ His veto helped to arouse popular feelings against the Bank. Senator Benton defended Jackson's veto in the Senate by saying:

> "You may continue to be for a bank and for Jackson, but you cannot be for this bank and for Jackson. The bank is now the open, as it has long been the secret, enemy of Jackson. The war is now upon Jackson, and if he is defeated all the rest will fall an easy prey. What individual could stand in the States against the power of that bank, and that

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<u>38</u>/ Federal Banking Laws and Reports, *supra* n.__, at 187 (quoting Jackson's Second Annual Message, Dec. 6, 1830).

<u>39</u>/ <u>National Monetary Commission: The First and Second Banks of the United States</u>, Sen. Doc. No. 571, 61st Cong., 2d Sess. 296-98 (1910).

> bank flushed with a victory over the conqueror of the conquerors of Bonaparte. The whole Government would fall into the hands of the moneyed power. An oligarchy would be immediately established, and that oligarchy in a few generations would ripen into a monarchy."40/

The veto was not overridden, and the election of 1832, which returned Jackson to the presidency, marked the end of a central banking system in the United States until 1913.

From 1836 until the passage of the National Bank Act in 1863 the Federal Government did not exercise responsibility over currency and banking. Jackson relied upon state banks, commonly referred to as "pet banks" for the performance of fiscal services, a system that did not prove effective. The Government suffered large losses during this period and an effort began to establish a public depository, other than a Bank of the United States, where Government funds would be secure. The independent Treasury was established by the Act of August 6, 1846, which provided for the establishment of "places of deposit of the public money" in Washington, Philadelphia, New Orleans, New York, Boston, Charleston, and St. Louis. It also required that payments to and from the government be made only in gold or silver coin or Treasury notes.41/ Thus, the Act made the Treasury its own banker and in effect a bank of issue. As one historian states:

40/ J. Knox, A History of Banking in the United States 69 (1903).

41/ E. Taus, *supra* n.1, at 49-50.

> The unique monetary-fiscal footing enjoyed by the independent treasury practically ordained that it would become an agent of monetary policy, especially when fiscal deficits were financed by treasury notes.42/

During this period, an uneven standard of banking existed throughout the country. The older states in New England and the Middle Atlantic regions had developed sound banking structures, but the newer states in the South and West had not. Consequently, the sound banking systems were affected by the unreliable currency that filtered into their states. There was no control on the issuance of state bank notes, and as a result they were often worthless.43/

With the advent of the Civil War, a need arose to raise money to finance the war. Secretary of the Treasury Chase conceived the idea of a uniform national currency backed by the Federal Government and issued on the basis of United States bonds.

42/ R. Timberlake, The Origins of Central Banking in the United States 73 (1978). Timberlake quotes Robert J. Walker, the first secretary of the independent treasury, who stated that, under the independent treasury, specie would:

> neither expand nor contract beyond the legitimate business of the country; [while if left to the capriciousness of the banking system, specie would be] made the basis, as often heretofore, of bank paper expansions, and if so, ruinous revulsions would not fail to ensue.

Id. at 77.

43/ See F. Redlich, supra n.4, at pt.2, 13; R. Timberlake, supra n.27, at 84.

The National Currency Act was passed February 25, 1863 but was replaced by the Act of June 3, 1864 ("The National Bank Act").

The National Bank Act provided for the creation of private banks to be called national banks. Each corporation would be managed by at least five directors. All national banks were put under the supervision of the Comptroller of the Currency, an officer of the Treasury Department. Each national bank had to have the necessary amount of capital, depending upon the population of the town where it would be located. Each national bank had to deposit with the Secretary of the Treasury United States registered bonds equal to 1/3 of the bank's capital stock. This amount would be increased or decreased with the amount of bank's paid-in capital stock. Each bank was entitled to receive circulating notes equal to the par value of the notes deposited, but not exceeding the market value of the stock nor the bank's paid-in capital stock. In addition, each bank in "central reserve cities" (with a population of 500,000 or more) was required to keep a cash reserve of 25 per cent of its deposits and notes in circulation44/. Other banks, in "reserve cities" were required to maintain a cash reserve of 15 per cent.

The powers of the national banks were limited to discounting notes, drafts, bills and so forth; receiving

44/ The requirement to maintain reserves against the notes in circulation was eliminated in the Act of June 20, 1874.

deposits; trading in exchange, coin, and bullion; loaning money on personal security; and the exclusive issue of circulating notes. The circulation was to be limited to $300 million and the notes were to be receivable for all purposes. Provision was made for the conversion of state banks into national banks.

The growth of national banks was slow thus frustrating a major purpose of the Act, which was to stimulate the large scale purchase of Government obligations by the banks45/ and the creation of a stable currency. In the Act of March 3, 1865, a 10 per cent tax on state bank circulations was enacted. Only then did national bank notes become the predominant medium of exchange.46/

However, without a central bank, there was no regulation of the money supply, as such. Thus, seasonal fluctuations in supply and demand, plus periods of Treasury surplus revenues followed by periods of depression caused serious disturbances to businesses and banks alike.47/ The Secretary of the Treasury

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45/ "The primary purpose of creating the National Banking System was to provide a new market for Government bonds. The law was an effort to force the banks to sustain the public credit, since under the system ownership of bonds of the Government would be required for certain banking purposes. This in turn would establish a ready market for the bonds and greatly facilitate their negotiation." Taus, supra, n.1, at 61-2.

46/ See R. Timberlake, supra n.35, at 87.

47/ E. Taus, supra n.1, at ch. 4.

did attempt with some success to take up the slack created by the lack of a central bank regulating the money supply. During the first 30 years following the passage of the National Bank Act:

> ". . .secretaries of the Treasury consistently went well beyond the confines of a mere fiscal department. They devised methods of meeting the monetary problems which a central bank would normally have faced. The techniques employed varied and revealed the legal limitations imposed upon the Treasury and the ingenuity of the secretaries. These men were making the Treasury, in some instances unintentionally, function as a central banking organization.
>
> ". . .But most of the men knew that the influence of their activities paralleled those of a central bank, and they tried to change or interpret the laws under which the Treasury functioned to protect and support also the banks and the business community. Others . . . felt the Secretary of the Treasury should be guided mainly by the needs of the Treasury Department. This view may be sound in times of prosperity relatively free from disturbances, but in times of emergency intervention by the Treasury is not only desirable but necessary. The Treasury was often in a position to help the banks, and no other agency existed that could render assistance. The banks and the business community in turn were becoming accustomed to regard the Treasury as a superior financial authority which could and would render assistance in time of difficulty."48/ (Emphasis added)

An interesting episode occurred in 1884 when the Treasury did not act to fill the void created by the absence of a central bank, but a private association did act to alleviate the strain of a monetary crisis. The action, as described in

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48/ *Id.* at 84.

more detail below, was taken by the Clearing House Association, in a manner similar to previous actions taken in the 1850's. In the panic of 1857, for example, the Clearing House Associations in New York and Boston realized that, if the banks did not act together, each would have been forced to make itself impregnable by calling its loans. The problem with that, of course, was that it would cause further contraction, which, in turn, would have resulted in more failures of intrinsically sound enterprises and thus made the crisis all the worse. Cooperation had to aim at counteracting retrenchment, and that could be done only by making available new media of exchange to replace what had disappeared through hoarding.49/ But any new media of exchange had to be created on the basis of undoubted security, in order to permit the banks to go on lending and even increasing their loans to strong borrowers. The solution was the "clearing house loan certificate," which was issued by committees of clearing houses on the basis of collateral security other than coin.50/

49/ Note 1 Redlich, *supra* n.4, at 158.

50/ There were, at that time, "coin certificates," issued by clearing house depositories based on coin deposits. They were used in normal times, whereas the clearing house certificates were issued only in emergencies and were withdrawn and replaced by coin or coin certificates as soon as the crisis had passed which had given rise to their issue. *Id.*

The crisis of 1884 demonstrates the use of clearing house certificates in time of crisis. As Timberlake describes the occurrence:

> A severe crisis, a sort of capstone to the mild recession of the time, occurred in the New York money market in the spring of 1884. The Treasury Department did nothing unusual to alleviate the situation; the budget continued in surplus and the Treasury's cash balance burgeoned. However, the New York Clearing House Association issued $20 million in clearinghouse certificates in $5,000 and $10,000 denominations to member banks on presentation of suitable collateral, that is, good commercial loans. The certificates were almost redeemed by July 1, 1884.
>
> This action by the Clearing House Association was an institutional response to an internal liquidity drain. It was, as Redlich states, "the specifically American solution to a problem with which central banks in the other great commercial nations of the world were faced at every crisis throughout the second half of the nineteenth century." It demonstrated that limited central banking functions could be assumed by a private institution and that the actions taken would be beneficial. [footnotes omitted]51/

By the early 1890's, the banks looked to the Treasury as a source of help in time of need but felt that the Treasury should only perform functions of a central bank in such periods. This dependence on the Treasury in periods of stringency was itself a problem. Rather than attempting to prepare themselves for the increased drain on their funds which occured every fall, as they had previously done, they now expected the Treasury to counteract the seasonal stringency.

51/ R. Timberlake, supra n.35, at 138.

After 1900, and the Gold Standard Act of March 14, 1900, the Treasury increased its banking activities and performed such "central banking" functions as:

1. Issue and redemption of paper money--United States notes and United States Treasury notes of 1890;

2. Preparation and supervision of the issue and redemption of national bank notes;

3. Exchange of the various kinds of money for gold or for each other;

4. Regional transfer of funds to move crops;

5. Supervision of the division of the money into proper denominations so as to furnish the proper supplies of large and small notes as needed;

6. Acting as an influence on the rate of discount by contracting and expanding the currency through a shifting of its funds between the commercial banks and its own vaults; and

7. Keeping the gold reserve of the country.52/

52/ E. Taus, _supra_ n.1, at 100-101. Taus states that, although after 1900 the Treasury performed many more central banking functions than before that time:

> If the Treasury had been a true central bank, it could have issued notes by discounting eligible assets. The volume of such bank notes issued would then have depended on the amount of paper presented for discount. No arrangement of this type existed in the United States until the Federal Reserve banks started to operate on Nov. 16, 1914.

_Id._ at 101.

E. Taus also notes that in other countries government treasuries do not usually perform banking functions. They do not hold specie and issue notes against it, nor do they exchange paper money for specie. In other

During this time, national bank notes were rigid in amount, based upon the bonded debt of the United States, rather than flexible in amount, contracting and expanding directly with the needs of business. United States notes were no longer newly issued, and, if they were redeemed for gold, they could only be reissued for gold. If the Treasury had obtained them in payment of revenue or in any other way except for gold, the Treasury was free to use them for any Treasury purpose.53/ Therefore, during periods of Treasury surplus, the surplus revenue was held in Treasury vaults causing the withdrawal of large amounts of money from circulation and from the banks. If bank deposits and reserves declined, thereby causing a contraction of loans by the banks, the Secretary of the Treasury would prepay the interest and principal of Government bonds and would increase Treasury deposits with the national banks. By prepaying the interest on bonds, the banks had the use of funds for the period until the interest was due the bondholder.54/

52/ (Cont'd)

countries, central banks are obliged to perform these banking services, at their own expense. In the United States, after 1900, the Treasury assumed these burdens, whereas before 1900 they had not been exercised by any central body.

Id. at 99-100.

53/ *Id.* at 99.

54/ *Id.* at 103-112.

Under Secretaries Shaw and Cortelyou, the Treasury saw itself as the central banking unit and concerned itself with the general banking situation at all times, not only in times of panic. Secretary Shaw in many ways made his own rules and regulations in an effort to make the currency more elastic. For example, he interpreted the security requirement for the deposit of Government funds, "United States bonds and otherwise," to mean "United States bonds or otherwise," thereby allowing State, municipal and railroad bonds as security.55/ Although attempts were made to change the law clearly to legalize the acceptance of other collateral, no change was made until the last day of Shaw's term, March 4, 1907.

> By permitting certain types of bonds other than Government bonds as adequate collateral for Government deposits in national banks, the Secretary of the Treasury helped to relieve a stringent money market. However, the prices of all bonds required by the Treasury as adequate collateral were sure to rise, since a new demand had been created for them. In this way the Treasury exerted an unintentional but definite influence on the bond market.56/

Serious objections existed regarding the Treasury's involvement in the nation's banking system. It was feared that political pressures on the Secretary of the Treasury would result

55/ Id. at 105.

56/ Id.

in abuses, especially in light of the power that the Secretary had over the banking system.57/

Weaknesses in the banking system had long been recognized in banking circles, but it took the panic of 1907, with its restriction of specie payments, to make some measure of reform politically imperative.58/ The first step was the Aldrich-Vreeland Act of 1908,59/ which provided for the issuance of "emergency currency" by groups of banks and appointed a National Monetary Commission of nine Senators and nine Representatives.60/ After extensive hearings, a report was submitted to Congress in 1912,61/ resulting in a proposal for a National Reserve Association ("NRA"), which, despite arguments to the contrary, would have been essentially a central bank.62/

57/ *Id.* at 119. E. Taus cites the United States Treasury Department *Annual Report of the Secretary* 46 (1906) regarding proposals to change the system: The abolition of the Independent Treasury would be, of course, involved in such a plan. Government money would be then regularly deposited in this central bank, from which disbursements would be made, and the Government's supervision of and interference with the money operations and the financial conditions of the country would be effectually eliminated.

58/ M. Friedman & A. Schwartz, *A Monetary History at the United States, 1867-1960*, 168 (1963).

59/ Act of May 30, 1908, 35 Stat. 546.

60/ M. Friedmand & A. Schwartz, *supra* n.__, at 170-171.

61/ R. Timberlake, *supra* n.__, at 189.

62/ *Id.* 190. *See*, *also*, H. Rep. No. 69, 63d Cong., 1st Sess. 46 (1913).

The 1912 elections gave the Presidency to a democrat, Woodrow Wilson, and the impetus for banking reform to Representative Carter Glass, who labored long on what was to become the Federal Reserve Act (the "Act").63/ Glass worked against the republican-sponsored NRA, and against bankers who "would not desist in their demand for . . . some kind of Central Bank to be owned and operated for bankers."64/ Glass made it clear that the Act avoided ". . . a central banking institution which [the bankers] may control and use for their own convenience, but to which the American people may not resort for any business purpose whatsoever . .;" it avoided a "central bank for banks."65/

The alternative offered by the Act differed from the NRA in two essential respects. First, the pyramid structure of the Reserve Banks allowed a regionally based system with all "the benefits of combined use of banking resources,"66/ without resorting to a single bank unresponsive to ". . . the United States, with its immense area, numerous natural divisions, still

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63/ For a detailed history of the birth of the Act, See R. Smith & N. Beasley, Carter Glass) 83-136 (1939).

64/ R. Smith & N. Beasley, supra n.__, at 98. See, also, J. Jones, Carter Glass, Unreconstructed Rebel 228 (1938). ("It had been decisively determined in 1913 that this country did not want a central bank").

65/ 50 Cong. Rec. 4644 (1913).

66/ H. Rep. No. 69, 63d Cong., 1st Sess. 12 (1913).

more numerous competing divisions, and abundant outlets to foreign countries. . . ."67/ Second, substantial powers were conferred on the government controlled body, the Board of Governors (the "Board"). In response to bankers' objections that too much power had been concentrated in the Board, Glass responded:

> . . . there is scarcely a power enumerated in section 12 of this bill which has not been exercised by the Government for 50 years or, indeed, which has not been confided to one or two public functionairies.
>
> Nearly every power conferred by this bill on the Federal reserve board, composed of seven members, has been for half a century vested by the national-bank act in the Secretary of the Treasury and the Comptroller of the Currency, to be exercised in the conduct and control of the national banking system.68/

As summarized by the Secretary of the Treasury, the new system was to provide:

> for a central agency, to represent and act for the organized and cooperative banks-this agency to be securely free from political or trust control but with the Government having adequate and intimate supervision of it.69/

When the Act became law,70/ the country was divided into 12 Reserve districts, each with a Reserve Bank, to be supervised largely by the Board.

67/ Id.

68/ 50 Cong. Rec. 4644 (1913).

69/ E. Taus, supra n.1, at 136, n.9, quoting from United States Treasry, Annual Repot of the Secretary 3 (1913).

70/ Act of Dec. 23, 1913, 38 Stat. 251.

The original Board, which was to exercise supervisory functions over the Reserve Banks, was composed of the Secretary of the Treasury, the Comptroller of the Currency and five members appointed by the President with the consent of the Senate.71/ All national banks were compelled to become members of the Reserve System. State banks were also permitted to become members.

The stock of the Reserve Banks was to be owned by the member banks, which were required to subscribe to the stock of the Reserve Bank of their district in an amount equal to 6 percent of the member bank's capital and surplus. The Act provided for Government subscription to the stock of the Reserve Banks only in the event that total subscriptions by banks and the public should prove to be insufficient. It was therefore intended that the Reserve Banks be private corporations imbued with a public purpose. The Act provided that the member banks elect six of the nine directors of each Reserve Bank, and the Federal Reserve Board was to appoint the other three. The officers were to be selected by the respective boards of directors. The Act of August 23, 1935 provided that the president and first vice president should be selected in such

71/ The Act of Aug. 23, 1935, 49 Stat. 684, amended Section 10 of the Federal Reserve Act to provide for the Board of Governors, composed of seven members appointed by the President with the consent of the Senate.

manner for 5 year terms, subject to the approval of the Board of Governors.

Section 14 of the original Act gave any Reserve Bank the power, under rules and regulations prescribed by the Federal Reserve Board: (1) to deal in gold at home or abroad: (2) to purchase from member banks and to sell bills of exchange arising out of commercial transactions: (3) to buy and sell, at home or abroad, bonds and notes of the United States and State and local bills, notes, revenue bonds, and warrants with a maturity not exceeding six months;

> (4) "<u>To establish</u> from time to time, <u>subject to review and determination of the Federal Reserve Board, rates of discount to be charged by the Federal Reserve Bank</u> for each class of paper, which shall be fixed with a view of accommodating commerce and business;" [The discount rate was thereby uniform throughout each district but could vary in different districts] (Emphasis added)

and

> (5) ". . . <u>purchase and sell in the open market, at home or abroad</u>, either from or to domestic or foreign banks, firms, corporations, or individuals, <u>cable transfers and Bankers' acceptances and bills of exchange of the kinds and maturities by this Act made eligible for rediscount</u>, with or without the indorsement of a member bank." (Emphasis added)

The creation of the Federal Reserve System brought about a new kind of currency and a new mechanism for supplying currency.72/ The Federal Reserve note was designed to provide

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72/ W. Burgess, <u>The Reserve Banks and the Money Market</u> 71 (1936).

currency expansion in response to business and banking requirements.73/ The original Act introduced a new principle into our currency system by providing that, apart from a minimum gold reserve, Federal Reserve notes might be secured by certain specified assets of the Federal Reserve Banks.74/ The paper used as security under the terms of the original Act represented agricultural products or other goods in the process of production, or in movement from producer to retailer, in process of export or import, or on the shelves of retailer or wholesaler awaiting sale. It thus specified a security which is sound and at the same time increases and decreases with the business and agricultural need of the country.75/ There have been some changes since the original Act in the permissible collateral for Federal Reserve notes, but the essential importance of keeping the currency elastic and providing the Federal Reserve System with the means to cope with crises have remained intact.76/

It was believed, when the original Act was passed, that Federal Reserve participation in the bill market would

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73/ Id.

74/ Id. at 73.

75/ Id.

76/ Id. at 74-6.

provide a mechanism for drawing Federal Reserve money into use when needed.77/ It was also thought that the discount rate would have a great effect on the money market, as perhaps the most important means of credit control. As stated above, the power to set the discount rate was given the Reserve Banks, subject to the review and determination of the Federal Reserve Board.

In the early years of the Federal Reserve System each Federal Reserve Bank individually bought Government securities without apparent concern for the influence of their purchases on the money market. Because the only major securities market was in New York, the Reserve Banks would often bid against each other when they entered this market at the same time.

> [T]he course of these operations, entered upon independently by each of the 12 banks, made evident the need for a better coordination of the open-market operations of the several banks, and in 1922 led to the creation of a committee of officers of the reserve banks [the "Governors Committee"] for the purpose of coordinating reserve bank dealings in Government securities, so as to prevent possible conflict between their own transactions and those which as fiscal agents of the Government they were conducting for the Treasury.78/

77/ W.R. Burgess, "Reflections on the Early Development of Open Market Policy," Essays in Domestic and International Finance 7 (1967).

78/ 10 Annual Report of the Federal Reserve Board 13 (1923). Note that the official title of the Governors Committee was the "Committee of Governors of Centralized Execution of Purchases and Sales of Government Securities."

As originally conceived, the function of the Governors Committee was to be only that of executing orders received from the various Reserve Banks; it was not to determine policy.79/ It was, however, mandated to execute orders in such a manner as to safeguard the interests of the security market, the Reserve Banks and Treasury.80/

During the next few months of coordinated purchasing, the Reserve System generally began to recognize the significance of open market operations as an instrument of monetary policy.81/ The character and scale of the open-market operations engaged in by the Federal Reserve Banks during the year 1922 and the early part of 1923 showed the need to bring these operations more definitely into line with the general credit policy of the System.82/ Increased attention was paid by the System to the effect of the investment operations of the Federal Reserve Banks on the money market.83/ Governor Strong of New York then took

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79/ L. Chandler, Benjamin Strong, Central Banker 215 (1958).

80/ 1 S. Harris, Twenty Years of Federal Reserve Policy 150 (1933).

81/ W. Burgess, "Reflections on the Early Development of Open Market Policy," Essays in Domestic and International Finance 11 (1967).

82/ 10 Annual Report of the Federal Reserve Board 13 (1923).

83/ L.Chandler, supra n.46, at 217.

the initiative and proposed in October 1922 that investment policy be directed "with a consideration particularly--exclusively had been in the original draft--of the conditions in the money market, the state of credit, and the operations of the Treasury."84/

By April 1923, the new-found importance of open market operations and the resulting policy making nature of the Governors Committee was recognized by the Federal Reserve Board. The Board dissolved the Governors Committee and substituted a committee composed in fact of the same officers but named by the Board.85/ The Committee was renamed the Open Market Investment Committee,86/ and the following general operating principles were laid down:

> That the time, manner, character, and volume of open-market investments purchased by Federal Reserve banks be governed with primary regard to the accommodation of commerce and business and to the effect of such purchases or sales on the general credit situation.87/

This statement of principle--substantially identical to the standard set forth in present law88/--represented a decision

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84/ S. Harris, *supra* n.47, at 151.

85/ J. Hurst, *A Legal History of Money in the United States, 1774-1970* 208-9 (1973).

86/ W. Burgess, *supra*P n.53, at 240.

87/ 10 *Annual Report of the Federal Reserve Board* 16 (1923).

88/ *See*, 12 U.S.C. § 263(c) (West 1945).

that profit should no longer influence the purchases and sales of securities.– Conducting open market operations was to be done solely with the idea of correcting market tendencies.

The Committee was supplemented by a "system open market account," formed in December 1923, through which the securities purchased were prorated by formula among the Reserve Banks. The individual Banks themselves then decided by vote of their directors whether to participate in the particular operations.

Although, from the beginning, there was a struggle between the Board and the Reserve Banks over control of open market operations, it is well-recognized that:

> almost from the start the initiative in the determination of open market policy lay with the Reserve Banks.89/

Governor Strong of the New York Reserve Bank had particular influence and was a longstanding Chairman of the Open Market Investment Committee.

A clear example of the Reserve Banks' independence is given by the stock market crash of 1929. Rather than restrict itself to the confines of an Open Market Investment Committee weekly limit of $25 million of purchases, and rather than going through the laborious process of getting that limit removed, the

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89/ The Federal Reserve System After Fifty Years: Hearings on H.R. 3783, 9631, 9685, 9686, 9687, 9749 Before the Subcomm. on Domestic Fin. of the House Comm. on Banking and Currency, 88th Cong., 2d Sess. vol. 3, 1986 (1964) (hereinafter "The Federal Reserve System After Fifty Years").

New York Reserve Bank purchased $160 million of Government securities in the week ending October 30, 1929.90/

In 1930, the Open Market Investment Committee was superseded by a new committee called the Open Market Policy Conference, which was enlarged to include representatives of each of the 12 Reserve Banks.91/ The group of five who had controlled the old Open Market Investment Committee constituted its first Executive Committee.92/ The implementation of policy was complicated by the independent attitude of the various Reserve Banks,93/ who retained the right to decide whether or not to participate in open market operations.94/

Against the background of a national banking crisis the Banking Act of 1933 ("1933 Act")95/ was enacted, and its recovery scheme included the strengthening of the Federal Reserve System. In order to better define the powers of the Board,96/ the 1933

90/ M. Friedman and A. Schwartz, *supra* n.___, at 363, 364, n.77.

91/ *Id.* at 368-9.

92/ *Id.*

93/ *Id.* at 368.

94/ *Id.* at 369, n.89.

95/ Act of June 16, 1933, 48 Stat. 162.

96/ *See* the Senate Committee Report on the 1933 Act which recommends strengthening the Federal Reserve System, and specifically recommends:

Act recognized the Federal Open Market Committee ("FOMC"), comprised of one representative from each Reserve Bank. The authority of the FOMC was defined with substantially the same statement of purpose that had previously governed open market operations. No Reserve Bank could engage in open market operations except in accordance with regulations of the Board. However, any Reserve Bank could still decide not to participate in open market operations. The Senate Report on the 1933 Act makes it clear that the legislature was legalizing and giving official recognition to the then existing open-market committee.97/

This structure of the FOMC was found to be defective because FOMC initiatives could not be effectuated without direct

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96/ (Cont'd)

> "Better definition of the powers of the Board with respect to speculative transactions, particularly as to authority over open market dealings, by establishing a so-called "Open Market Committee" with designated authority."

S. Rep. No. 77, 73d Cong., 1st Sess. 12 (1933).

97/ The Senate Committee Report recommending the enactment states that the bill:

> ". . . Adds a new section 12A to the Federal Reserve Act providing for the creation of a Federal open-market committee of twelve members to supervise the open-market operations of the Federal Reserve Banks and the relations of the Federal Reserve System with foreign banks. This in effect legalizes and gives official recognition to the present open-market committee."

S. Rep. No. 77, 73d Cong., 1st Sess. 14 (1933).

Board approval, and, even when approved, could be frustrated by the refusal of Reserve Banks to implement them. A bill that later became the Banking Act of 1935, H.R. 7617, as originally introduced, proposed to remedy the problem by reconstituting the FOMC to consist of three Board members and two Reserve Bank representatives and by requiring Reserve Bank participation in operations decided upon by the FOMC. The Board opposed the first aspect of the bill on the ground that, while it would centralize authority, it could potentially give the Reserve Banks control of monetary policy.98/ As an alternative, the Board proposed that regulation of open-market operations be vested in the Board, with a provision for an advisory committee of five Reserve Bank presidents.99/ As reported by the House Banking Committee and passed by the House, the bill followed the Board's proposal.100/

98/ Hearings before the House Comm. on Banking and Currency on Banking Act of 1935, 74th Cong., 1st Sess. 181-82 (1935) (hereinafter "1935 House Hearings").

99/ Chairman Eccles testified (1935 House Hearings, *supra* n.58, at 183):

> Such an arrangement would result in the power to initiate open-market operations by either a committee of the [Reserve Bank presidents] or by the Board, but would place the ultimate responsibility upon the Federal Reserve Board, which is created for that purpose.

100/ The Committee Report stated:

> The Federal Reserve Board is appointed by the President and confirmed by the Senate. It has a national viewpoint and has long been accustomed

The Senate rejected the Board's proposal, however. The Senate Banking Committee proposed a twelve-member Committee consisting of the seven Board members and five Reserve Bank representatives -- four to be elected by four groups of three Reserve Banks and one to be chosen as a representative-at-large. Chairman Glass of the Senate Committee, an advocate of the position that the Reserve Banks alone should determine open-market operations and thus no change in the FOMC was necessary, characterized the Senate proposal as a compromise between those who favored complete control of open-market policy

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100/ (Cont'd)

> to considering matters as they affect the country as a whole, without regard to the special interests of any particular group or locality. It was created for the purpose of supervising and coordinating the activities of the 12 Federal reserve Banks "in order that they may pursue a banking policy which shall be uniform and harmonious for the country as a whole" (report of the Banking and Currency Committee of the House of Representatives on the original Federal Reserve Act, Rept. No. 69, 63d Cong., 1st Sess., p. 16). It is for this reason that the original Federal Reserve Act gave the Federal Reserve Board final authority over discount rates. Since open-market operations have in more recent years come to be recognized as a much greater factor in credit policy than discount rates, it is entirely consistent with the philosophy of the original Federal Reserve Act to vest in the Federal Reserve Board final authority with respect to the open-market policies of the Federal Reserve System.

H. Rep. No. 742, 74th Cong., 1st Sess. 10 (1935) by the Board and those who favored total Reserve Bank control. His statement in debate on the Senate Floor clearly delineates the conflict between his view and that of the Board and the House Committee:

> Some of us thought it was perfect folly to undertake to interfere with the existing arrangement. We are amazed to have it proposed that the Federal Reserve Board alone should constitute the open-market committee of the system. Let us consider that for a moment.
>
> Here is a board originally established and now operating as the central supervising power. The Government of the United States has never contributed a dollar to one of the Reserve banks; yet it is proposed to have the Federal Reserve Board, having not a dollar of pecuniary interest in the Reserve funds or the deposits of the Federal reserve banks or of the member banks, to constitute the open-market committee and to make such disposition of the reserve funds of the country, and in large measure the deposits of the members banks of the country, as they may please, and without one whit of expert knowledge of the transactions which it was proposed to commit to them.
>
> As I have said, in order to produce a bill, in order to harmonize radical difference, concessions, even yielding of convictions, had to be made; so it was finally determined to constitute the open-market committee of the 7 members of the Federal Reserve Board and 5 representatives of the Federal Reserve Banks. The Federal Reserve banks, which are the trustees of the reserve funds of all the member banks of the country, are graciously given this minority representation upon the open-market committee.
>
> Some of us were opposed to any alterations of the existing arrangement. Others thought that the representatives of the banks, whose money is to be used, whose credit is to be put in jeopardy, should have control of the committee and should have the

> majority representation. But in order to reconcile bitter difference there was yielding, and we have now proposed an open-market committee composed of all 7 members of the Federal Reserve Board and 5 Representatives of the regional reserve banks.101/

The Senate-House Conference Committee followed the Senate proposal in virtually all respects. While the House Banking Committee had favored complete control by the Board of open-market operations, Chairman Steagall of the House Committee supported the Conference Committee Report. Recognizing that this formulation of shared responsibility would theoretically have permitted the Reserve Banks to ally with a minority of Board members to control the Committee, Representative Steagall pointed out that the Board had control over the appointment of Reserve Bank presidents:

> It will be remembered that the presidents of the Federal Reserve banks under the bill passed by the House and under the bill reported by the committee are to be approved by the Federal Reserve Board. Five members representing the banks will be added to the Federal Reserve Board to constitute the open-market committee.
>
> This means that we have fought out in this House, in the Senate, and the Conference the question of Government control of open-market operations, the rediscount rates, and the reserve requirements of the Federal Reserve banks, and as a result of this controversy we have a bill which writes into the law a safeguard that insures the investment of these powers in a Government-controlled board.

101/ 79 Cong. Rec. 11778 (1935).

> The vote would be 7 to 5 if we assume that the 5 members representing the banks would go contrary to the 7 members representing all the people of the country the public at large. The Senate bill had in it a provision requiring the appointment of 2 members of the 7 constituting the Federal Reserve Board to be experienced bankers. This provision was stricken out in conference.
>
> So we have written into this law the principle that the Government, the sovereign people of the United States, shall have control of the Board that dictates the vast powers of the Federal Reserve System.
>
> Something has been said about what was done in conference being a departure from the wishes of the House as expressed in the vote of the House on the bill. Let me say to the Members of the House that the open-market committee provided in the bill reported by the conference committee goes further in insuring Government control of the operations of the Federal Reserve System than the original bill that was submitted to the committees of the House and Senate by the present Governor of the Federal Reserve Board and by the administration.102/

In addition to changing the composition of the FOMC in this manner, under the Banking Act of 1935, Reserve Banks could neither engage nor decline to engage in open-market operations except in accordance with "the direction of and regulations adopted by the Committee." Thus for the first time, a single body was given authority to determine open market policy and direct all open market operations.

The statutory structure of the FOMC has remained virtually unchanged since 1935, with one important exception. In 1942, Section 12A of the Federal Reserve Act was amended to

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102/ 79 Cong. Rec. 13705-06 (1935).

provide that the Reserve Bank representatives on the FOMC must be either the president or first vice president of a Reserve Bank.103/ Congress did not anticipate that Reserve Banks would attempt to elect outsiders to the FOMC, and when attempts were made to elect officers of commercial banks as representatives of the Reserve Banks on the FOMC,104/ a statutory amendment was immediately adopted precluding such practice, thereby effectively ensuring that only persons selected with the approval of the Board could serve on the FOMC. Thus, since 1942 the FOMC has consisted solely of persons who hold their offices either by virtue of Presidential appointment confirmed by the Senate -- the Board members -- or by virtue of the approval of, and subject to removal by, the Board acting in its statutory capacity as the head of the Federal Reserve System.

The issues of "public" and "private" influence on the FOMC -- debated vigorously during Congressional consideration of the 1935 legislation creating the FOMC substantially in its present form -- have been pursued legislatively by individual members of Congress over the 50 years of the FOMC's existence. For example, the late Congressman Wright Patman argued in 1938

103/ 12 U.S.C. § 263(a) (West 1945).

104/ Hearings before the House Comm. on Banking and Currency on H.R. 758, 77th Cong., 2d Sess. 3 (1942) that the Reserve Bank members did not represent the "peoples interest."105/ Congressman Reuss complained in 1964 that the Reserve Bank members were "five essentially private persons who are not publicly appointed," and he pointed to the possibility, recognized in 1935, that the judgment and decision of the majority of the Board members "might be overruled by essentially private people."106/

Repeatedly, and particularly in four of the last five Congresses, bills have been introduced to alter the FOMC by removing the Reserve Bank representatives, adding the Secretary

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105/ Hearings before the House Banking and Currency Comm. on H.R. 7230, 75th Cong., 3d Sess. 56 (1938).

106/ The Federal Reserve System After Fifty Years, supra n.56, at 37.

In response to Mr. Reuss'comment, Federal Reserve Chairman Martin stated:

> Let me say, Mr. Reuss, that I don't concede that the presidents of the 12 Federal Reserve Banks are private individuals.
>
> The initiative on the appointment comes from the board of directors of the individual Reserve bank. But the Congress has given the Federal Reserve Board the authority on the president and first vice president.

Id. at 38.

It should also be pointed out that the public records of the FOMC reveal that a majority of the Board has never been outvoted by the Reserve bank representatives.

of the Treasury, or both.107/ Two such bills are before the present Congress.108/ Only one of these recent bills has been taken seriously enough to prompt hearings,109/ and none has mustered enough support to be reported out of Committee. Clearly, Congress has been ever mindful of the composition of the FOMC and has consistently refused to upset the balance it created in 1935.

107/ *See, e.g.*, H.R. 4497, 99th Cong., 2d Sess. (1986); H.R. 1469, 99th Cong., 1st Sess. (1985); H.R. 5459, 98th Cong. 2d Sess. (1984); H.R. 5066, 97th Cong. 1st Sess. (1981); H.R. 7001, 96th Cong. 2d Sess. (1980); S. 2540, 94th Cong. 1st Sess. (1975); S. 2577, 87th Cong. 1st Sess. (1961).

108/ H.R. 4497, 99th Cong. 2d Sess. (1986); H.R. 1469, 99th Cong. 1st Sess. (1985).

109/ *To Modernize the Federal Reserve System: Hearings on H.R. 7001 before the Subcomm. on Domestic Monetary Policy of the Comm. on Banking, Finance and Urban Affairs*, 96th Cong. 2d Sess. (1980).