

Q. In other words, that emphasizes the point that you are a reserve bank, and not a competing institution?—A. In other words, we cannot be a reserve bank and an active competing bank at the same time. We have to be one or the other.

Q. I notice that the statement of the Reserve Bank—I get this on the record for the matter of convenience—shows under “liabilities” an item of member banks’ reserve account, \$2,362,000,000?—A. That is a combined statement, yes.

Q. That is the funds to which we are now referring?—A. Yes, for all reserve banks combined.

Q. Now, another question, Mr. Harding, regarding the resources. I do not know whether you can answer this or not, but as near as I can judge from checking up the statement, this is the figure that I arrived at; that the bank resources of banks which are members of the Federal Reserve system amount to about sixty per cent of the total bank resources of the United States. Would that be about correct? And about forty per cent are under control?—A. No, it is about seventy-five per cent.

Q. It is now about 75 per cent?—A. Yes. You see, the large banks are nearly all in, and although they are numerically in the majority, the other banks that are out are so much smaller that the banks which are members of the Federal Reserve system have about 75 per cent of the banking resources of the United States.

Q. Your estimate would be about seventy-five?—A. About 75, yes.

Q. Now, another question that you have already dealt with pretty completely. A statement was made by Mr. Phipps the other day in which he quoted an article or speech made by Mr. Mellon. I have the speech here in the “American Bankers’ Journal,” and by the way, it is a very interesting speech. There is one part of it which was quoted the other day, and which I will read to you and if you will be good enough to give us your opinion, I shall be glad.

This appears on page 637 of the American Bankers Association Journal of February, 1928, and is a report of Mr. Mellon’s address; anyway, it is an article by Mr. Mellon which was contributed I think.

The work which the Federal Reserve System is doing is along sound, constructive lines. But the greatest mistake would be to expect the impossible. It is not a panacea for all the financial and economic ills which may befall the country. Neither the Federal Reserve System nor any other system can control prices. The most that system can do is to influence to a limited extent, from time to time, the total volume of credit and its cost. While credit is one factor in influencing prices, it is neither the only factor nor the controlling one; and it would be asking the Federal Reserve System to perform the impossible if it is to be charged with the responsibility for controlling prices merely because it can exercise a limited control over the amount of credit available.

Then he adds farther on, making an appeal apparently to the public, for their co-operation and support:

It is left for us to make certain that the System shall not be endangered by loading it down with extraneous or impossible tasks.

That is all I will quote.

WITNESS: I agree with every word of it, and I want to say further, that in my opinion, Mr. Mellon is better qualified to express an opinion on banking and finance than any other man in the United States.

Q. That is a very satisfactory answer, as far as I am concerned, because I might modestly say that it coincides with my own view. You have already given us a very excellent explanation of your open market transactions and I will

[Mr. W. P. G. Harding.]