

*By Hon. Mr. Stevens:*

Q. I was going to follow that question you have been discussing, Mr. Harding, regarding membership in the Federal Reserve Bank, as it relates to a State bank. I think you said a moment ago that there were—I have an extract from the Federal Reserve Bulletin here—something like 1,700 State banks that were members?—A. 1,600 or 1,700, I think.

Q. I want to get this clear, because I think it is important. The total number of State banks amount to between 18,000 and 20,000 roughly?—A. Yes.

Q. You may not be able to answer this question, but I would like you to if you can. Of this number of 18,000 or 20,000 State banks, have you any idea, or would, say, 10,000 be a correct or approximately correct number of State banks eligible for membership?—A. I think perhaps that would be rather excessive.

Q. Have you any idea roughly of what number they would be?—A. We cannot very well tell whether a State bank is eligible for membership, unless it applies and is examined.

Q. I quite appreciate that it would be difficult. Let me put it this way: A good many State banks that could qualify have not made application to join?—A. I am familiar with the situation in New England, and I will tell you why a good many eligible State banks there have not made application to join. I will confine myself to my own bailiwick, in order to give you a clearer idea. The mutual savings banks are a very large factor in banking in New England. They have no capital stock. They each have a Board of Trustees. They are big investment trusts. The law limits the investments they can make to certain classes of securities, real estate loans and so on; and after paying their expenses they pay a dividend to the depositors. In many cases they pay four and a half per cent. Hardly any of them pay less than four. I doubt whether a mutual savings bank could retain its deposits if it paid less than four per cent.

Mutual Savings banks have been in operation in New England a number of years, and have been highly successful. The total deposits of the Mutual Savings banks of New England, are about three hundred million dollars more than the total deposits of all the member banks in New England. Now, the member banks, both the National Banks and State banks have time deposits, and they have savings' deposits. Their savings' departments are modelled after the mutual savings' banks, in their procedure. They have a pass book, and they pay out no money except on presentation of the pass book; and they have a right to claim thirty days' grace if they want to on any payment although they do not exercise that, except in case of emergency, of course. Now, the laws of the various States in New England respecting reserves have been modified during the last ten years, so that now, as far as a State bank which is a member of the Federal reserve system is concerned, no matter what the State law regarding reserves is, all the member bank has to do is to comply with the Federal reserve requirements, and then it is exempted from complying with the laws of its own State with respect to reserves. The Federal Reserve Act does not distinguish between savings' accounts and other forms of time deposits. It merely requires a reserve of three per cent on all time deposits, and requires a reserve of ten per cent on demand deposits, in the case of the Boston banks, and seven per cent on demand deposits in the case of all banks outside of Boston; but in the case of all member banks, the law requires three per cent on time deposits, without distinguishing between savings' accounts and other time deposits. The savings' banks are not required to carry any specific cash reserves with anybody. The States supervise their investments, and that is sufficient. And, with the exception of the State of Vermont, no New England State requires any chartered bank, trust company, or State bank

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