

Secretary McAdoo Warns Banks Against the Hoarding of Money

McADDO'S VIEW BROAD AND SOUND

(From the St. Louis Times.)

The nation is to be congratulated upon the decided stand taken by Secretary McAdoo, demanding that the banks—national and state and trust companies—lend generously and liberally to all branches of trade and commerce.

Through the enactment of recent national legislation, the banks have been placed in a special, in fact, a favored class. Congress has passed laws which make it impossible for solvent banks to be disturbed in the slightest degree, if managed with intelligence and courage, for the reason that they can at any time get all the currency necessary to expand their loans to meet the legitimate requirements of their customers, whether they be depositors or borrowers.

Then, too, Secretary McAdoo has taken the broadest kind of view in meeting the new conditions occasioned by the European war; has gone into the treasury to deposit the government's money with the national banks; has extended national banks every facility for securing emergency currency; and these banks—state and national and trust companies—that do not lend most liberally and generously to the farmer, merchant, manufacturer and cotton grower of the nation, are not only doing an injury to themselves, but are a menace to their community. * * *

Following is a dispatch carried by the associated press:

Washington, Sept. 23. — Secretary McAdoo adopted stringent measures tonight to urge national banks to extend credit and charge normal interest rates on loans. He telegraphed to ten national banks in the four reserve cities in the south that their requests for additional crop moving funds from the federal government would not be granted at this time, and made it clear that his action was taken in consequence of reports of excessive interest rates and restriction of credit.

In a statement made public with the telegram Mr. McAdoo declared:

"The reports of national banks now being received by the comptroller of the currency in response to his call for a statement of their condition as of September 12, indicate an extraordinary hoarding of money by many national banks in various sections of the country.

"CONTRARY TO PUBLIC INTEREST"

"I am astonished that so many of the national banks are pursuing a course so contrary to the public interest and so indefensible from any point of view. There is neither occasion nor necessity for it.

"I intend to begin issuing daily a list of the banks which are hoarding money by maintaining excessive reserves, in order that the country may know how they are performing their public duties.

"My purpose is to focus attention upon the excessive reserves carried by those banks, for the reserves indicate whether the banks are using their full resources for the relief and accommodation of business in their respective communities.

SAYS IT IMPAIRS CONFIDENCE

"I am satisfied from certain reports which have come to me that many of the state banks are hoarding money and refusing to extend legitimate credit. I shall ask the superintendents of banks in the various states to co-operate with the government by supplying reports of the condition of the state banks and trust companies.

"The banks that are hoarding money should discontinue it. Such action, more than any other agency, tends to impair confidence and injure business.

"If all the banks of the country will do their duty in the present circumstances by extending legitimate credits, at reasonable rates of interest, the most serious of our difficulties will promptly disappear.

"The economic and financial condition of the country is sound throughout. The most essential thing now for our prosperity is the prompt conduct of business on a normal basis."

FINDS SOME RATES EXCESSIVE

In notifying the ten southern banks of his

position, Mr. McAdoo's statement said:

"I have decided not to deposit the second installment of crop moving funds with your bank at this time. You can, however, if you desire, withdraw one-half of your securities deposited by you and use them as security for the issue of additional currency if you make application therefor.

"I am informed that many banks in your state are refusing to make any loans for crop moving purposes, and that in many cases good loans are rejected or unreasonable rates of interest are asked.

"I am also informed that many banks which have taken out additional currency are refusing to use it in spite of great demands for money. I trust you are not doing this.

THREAT TO WITHDRAW DEPOSIT

"I shall withdraw all government deposits from banks charging excessive rates of interest, or which refuse reasonable accommodations, and I shall refuse to issue so-called emergency currency to banks which are not making use of it on reasonable terms for the benefit of the business community.

"It is essential in the present situation that everybody pull together in an unselfish spirit for the good of the country.

"I, of course, expect the banks to make a reasonable charge for accommodations. My point is that the charge must be reasonable, as the co-operation and help of the treasury will not be extended on any other basis."

The secretary's statement was issued after the federal reserve board, of which he is an ex-officio member, had listened for several hours to pleas for assistance from the "committee of forty" of the farmers' union, which came to Washington to urge direct federal loans to cotton producers. The committee was told that it was impossible for the government to do more than it had done.

STATE BANKS ALSO WARNED

Following is an Associated Press dispatch: Washington, Sept. 24.—The anti-money-hoarding campaign launched by Secretary McAdoo against national banks, particularly those which have taken out emergency currency, was broadened today to take in state institutions. Mr. McAdoo sent a telegram to superintendents of banking in each state announcing the restriction of credits by national banks and the high interest rates charged and appealing for all available information regarding state banks and trust companies. He declared that if banks will be persuaded to use resources intelligently the present situation will be greatly relieved.

This was the secretary's second move today in the campaign. Earlier he made public a statement in which he announced if the state of Tennessee continues to find bankers unwilling to renew a \$400,000 loan, he himself will take up the task of finding banks who will make such a loan.

It was understood that a list of banks which are piling up reserves or hoarding money will be made public tomorrow, and that as announced last night, the practice will be kept up as long as there is occasion for it.

TELEGRAM OF THE SECRETARY

Mr. McAdoo's telegram to the state banking superintendent follows:

"Reports now being received by the comptroller of the currency from the national banks throughout the country indicate that a money scarcity is being occasioned in large measure because of the hoarding of funds by many national banks, which are carrying reserves in some cases two or three times as great as required by law, and also that credits are being restricted and excessive rates of interest are being charged to customers. There is at this time more currency in the country than at any-time in its previous history, there having been issued through the treasury department since August 4, more than \$300,000,000 of additional national bank currency, which together with the relaxation in business should create an abundance of loanable funds. This department will withdraw government deposits from banks found to be hoarding money and charging excessive rates of interest and re-deposit them with banks whose funds are being loaned at reasonable rates to meet the legitimate demands of business and for moving the crops.

"This department would like very much to have your co-operation in its efforts to remedy those unsatisfactory conditions, and respectfully asks if it would not be possible for you to secure

from all state banks and trust companies in your state, statements which will show their cash reserves as of a recent date, the rates which they are demanding for new accommodations and give this department the benefit of the information disclosed by these reports.

"It is confidently believed that if all banks can be persuaded to use their resources intelligently and considerately and at reasonable rates of interest to meet the legitimate demands in their respective communities, the whole situation can be greatly relieved and business restored to a satisfactory, if not entirely normal basis. Kindly answer."

NO MONEY TO RENEW NOTES

In connection with the alleged refusal of national banks to extend credits, Secretary McAdoo today issued this statement:

"Senator Lea of Tennessee informed me that the state of Tennessee has \$1,600,000 of short term notes maturing October 1; that the state desires to renew or extend \$1,400,000 of these notes; that a commission representing the state has been in New York for some time trying to effect this loan but without success.

"It is preposterous that one of the great states of the union should find it impossible to procure from the banks such a comparatively small amount of money. Senator Lea informs me that he was going to New York last night for the purpose of joining the commission in its efforts to obtain the needed loan.

"If Senator Lea and his associates are unable to procure from banks in the city of New York or elsewhere, today and on reasonable terms, the desired loan, I will myself see if banks can not be found to take up this loan for the state of Tennessee on the first of October next, on reasonable terms and at a reasonable rate of interest."

MAKES PUBLIC NAMES OF BANKS

Continuing his campaign against high interest rates and the hoarding of money, Secretary McAdoo on September 25th made public a list of nearly 250 national banks in all sections of the country. According to a press dispatch, the secretary's statement referred to the list as showing "some" of the national banks carrying excessive reserves and it was understood that further lists will follow in accordance with his recent announcement. Following is a special press dispatch to the New York World:

Washington, Sept. 25.—Secretary of the Treasury McAdoo made public today a list of national banks which are carrying reserves largely in excess of the legal requirements, as shown by their reports to the comptroller of the currency as of September 12, 1914. Each of the banks in the list given out is required by law to carry a reserve of only 15 per cent. The reserves they are holding range from 25 to 74 per cent.

The secretary states that if the large amount of loanable funds kept from active employment was invested in commercial or agricultural paper, or loaned on proper security, the present situation would be greatly improved.

The list comprises 250 of the 7,500 national banks in the country. The list is not complete, as many of the national banks have yet to make their reports to the comptroller of the currency under the last call. The secretary's statement shows that at least one out of every thirty national banks throughout the country is violating the federal banking law by hoarding money and by holding reserves far beyond the limit allowed. Most of the banks referred to are in the rural districts, and their average capital will not exceed \$100,000.

Secretary McAdoo sent today the following telegram to the chairmen of the clearing house associations of New York, Chicago, Boston and St. Louis:

"I have received complaints about the high rates of interest which are being charged by the national banks in New York and other reserve cities. It is alleged that the New York banks are requiring their correspondent banks throughout the country to pay 7 per cent for loans and to maintain a balance with the New York banks, which makes the money cost the correspondent banks the equivalent of 8 per cent or more.

"Special cases have been brought to my attention where banks in cities of the south have been required to pay these high rates of interest. From all the evidence before me I cannot feel that the charge of 7 or 8 per cent interest by