

gress to legislate; the board's rules had in their operation all the force and effect of an act of Congress.

The supervisors of State banks protested most vigorously against this improper interference with State bank charter and statutory powers as attempted by the McFadden-Pepper bill and by the rules and regulations of the Federal Reserve Board. They urged the enactment of legislation that would prevent for all time any such legislation as, under the guise of proper rules and regulations would interfere with the freedom of action of any State banks under their State charter powers and statutory rights, merely because such State banks were members of the Federal reserve system and came under the jurisdiction of the Federal Reserve Board.

"A copy of the resolutions adopted by the supervisors of State banks appears herein as an appendix.

"We say further:

"State banks with assets of more than \$13,000,000,000, representing more than one-third of the strength of the Federal reserve system, have joined in reliance upon your promises not to interfere with their charter and statutory rights and powers. The State banks of the country can by joining add billions more, and every dollar so added will accelerate and strengthen the growth of the country. Are you willing, because you do not care at this time to give to national banks the banking powers possessed by State banks in certain States, to use your legislative power in such a way that State banks, whose assets are so necessary therein, will not hereafter join the Federal reserve system? Are you willing thus to deprive the country of the use of its full financial strength?

"For that is exactly what you are proposing to do. How can you expect the State banks that you have so often urged to join the Federal reserve system to come in, under your 'promise to the ear to be broken to the hope'? How can you expect them to enter the system, relying on your guaranties of protection of their State powers, when they observe the experiences of other banks that have come in under the same guaranties and have then found that they must either forget those guaranties and give up their own State banking powers at any future time you may care to act, or else must retire from the system?"

"Now we naturally ask:

"Why should you do all this when you can attain your proper end—which is continued maintenance of the National banks of the country on a fair parity of position in competition with the State banks—so much more easily in the right way than in the wrong way? Why should you now reverse the wise banking policy followed by you since the creation of the Federal reserve system, which was to have all eligible banks, State as well as National, join the system, and thus to give to the country the benefit of the financial strength of all its banks? Why should you now, in departing from that wise policy, adopt a new policy that will alienate the State banks, that will drive them from the Federal reserve system, and that will cause State banks from now on to stay out of the system?

"Why not pause before it is too late? Why not give proper time to the consideration of the whole subject instead of adopting this hasty patchwork? Why not consult with experts both in and out of Congress as you did before adopting the Federal reserve act? Why not, then, give the national banks a banking law comparable in every respect to the best State bank acts so that they can operate on full parity of competition with the State banks?

"In a word, why not take the step forward, which is right, and avoid the step backward, which is wrong, and thereby safeguard the future of the Federal reserve system, which is now at stake?"

JOHN S. DRUM,

*President Mercantile Trust Co. of California, San Francisco.*

RESOLUTION ADOPTED BY NATIONAL ASSOCIATION OF SUPERVISORS OF STATE BANKS IN CONVENTION AT BUFFALO, N. Y., JULY 21, 22, 23, 1924

Whereas one of the subjects discussed by the delegates at the convention of the National Association of Supervisors of State Banks was "The relationship of State banking systems with the Federal reserve system;" and

Whereas there was thorough consideration and discussion given to regulation H, as amended April 7, 1924, constituting regulations issued by the Federal Reserve Board applying exclusively to the membership of State banks and trust companies in the Federal reserve system; and