daily holdings of all reserve banks in bills discounted was 57% of total bills and securities, the percentage in one of these regional banks did not get above 51% and was as low as 7%, the percentage for the second ranged from 79% down to 16%, and the percentage for the third went as high as 50% and as low as 6%. On December 18, 1929, the percentages for these three banks were 25%, 57%, and 37%, and for all twelve reserve banks together was 46%.

Differing Rediscount Rates

With the modern facilities for transportation and communication it is not apparent why the rediscount rate for paper of the same quality and the same maturity should not be the same at any particular time throughout the country.

Partially Developed Regions

The argument in favor of different discount rates in the various reserve districts was stated as follows, in 1921, by a Federal Reserve Agent: "Obviously the same bank rate cannot be charged in Massachusetts and Montana because of the difference in conditions. In the partially developed sections capital is scarce and credit is limited. The northwestern states have for years found it highly beneficial to attract eastern money by making favorable rates. * * * An equal or uniform level would naturally destroy this advantage since individuals in the East having surplus funds could employ them at the same rate at home and there would be no reason for sending money out into the West."

Actual Rates

Statements of this kind seem to contain an element of fallacy; for in the period in which the quoted statement was written the rediscount rates of western reserve banks frequently were below those at the same time in effect in eastern districts. Indeed, this has on occasion continued to be the case. For example, at the end of 1928 the rate in the four western districts was 4½%, whereas in the other districts it was 5%. In the middle of December, 1929, the rate was 4½% at the reserve banks of Boston, New York, Atlanta, Chicago, Kansas City, and San Francisco, whereas it was 5% at the reserve banks of Philadelphia, Richmond, Cleveland, St. Louis, Minneapolis, and Dallas. It can be fairly argued, of course, that there can scarcely be any justification in considerations which should be given weight in central banking for a difference in rates between New York and Philadelphia, between Richmond and Atlanta, or between St. Louis and Kansas City.

The fallacy may be in a confusion of loans of one quality with those of another. The time has come, it may fairly be argued, when a loan of the highest quality according to all banking tests should be subject to the same rediscount rate in the central banking system whether the borrower, perhaps a resident of a western city, placed the paper at his local bank or with an eastern bank.

Inter-District Loans

The apparent false premise in such statements would seem to be contradicted, too, by the provisions in the law for reserve banks coming to one another's aid. Inter-district borrowing assumed large proportions in 1920 and 1921, reaching a maximum in one month of $260,000,000. If it had not been for these transactions between the reserve banks, with examples of some reserve banks receiving aid maintaining rediscount rates lower than the rates of the lending banks, one of the reserve banks would

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