

Reductions Opposed	of other banks whose lending powers would be similarly increased. Attention has already been directed to the fact that reserve percentages are now much less than they were prior to the enactment of the Federal Reserve Act. Just as the Committee has been opposed to general reductions in the reserves required of member banks when such reductions were proposed solely for the purpose of lowering the lending powers of reserve banks, so, too, it is opposed to such general reductions when they are suggested solely for the purpose of increasing the lending powers of member banks. This is not to maintain that we are opposed to any change in the reserves required of member banks. We favor some early minor adjustments as indicated below and support a thorough legislative review of the whole subject.
Minor Ad- justments	
Legislative Review	
Cash in Vault	There is room for minor adjustments in the existing reserve requirements if made for the sole purpose of removing existing inequalities in the schedules applying to the various classes of banks.
Rural Banks	One such apparent discrepancy is due to the fact that banks in rural sections are now obliged to carry in till relatively larger amounts of cash than banks in reserve and central reserve cities. Inasmuch as this cash in vault does not now count as reserve money, the country banks are obliged to keep larger actual percentages of reserve than the nominal requirements of the law. It seems only just, therefore, that member banks, in computing the deposits against which reserves must be carried, be permitted to deduct cash in vault from net demand deposits. This would result in no serious expansion of the lending powers of member banks such as would be occasioned by a proposal sometimes advanced, namely, that cash in vault should be counted as legal reserve—a proposal we do not support.
Items Due From Other Banks	There is another respect also in which country banks now feel that they are discriminated against. No bank may now utilize items due on demand from other banks to accomplish anything more than to offset amounts due to other banks. Banks which have an excess of "due from" items over "due to" items, can under present law receive no credit for the excess. This difference in the financial practices of country and of city banks has persisted to a greater extent than anticipated when the present reserve requirements were established. On this account it is recommended that banks be permitted to deduct items "due on demand from other banks" from gross demand deposits instead of merely from amounts due other banks.
Country Banks	
Reserve Required of Country Banks	There is on the other hand one respect in which country banks hold a present advantage over reserve city and central reserve city banks. Banks which hold an excess of items due on demand to other banks over items due from other banks must observe the reserve percentage applying to their particular classification. On this account

(Continued on page 36)