

was placed in the hands of a committee under the Federal Reserve Board's auspices, will presumably be repeated. The power was then exercised judiciously; even gold exports were permitted when they were shown to be in response to commercial requirements.

Resumption of normal activity by the banks themselves cannot be long delayed, though it may be preceded or accompanied by issue of "emergency currency" through the clearing houses—currency, it may be presumed, carrying the guarantee of the associated banks in separate localities. Naturally, it would be put out with the purpose of early redemption and extinction; the object of its issue now would be to provide, without reimposing an unnatural strain on Federal Reserve facilities, for payrolls and hand-to-hand money circulation. But use of discretionary powers by the Treasury, with a view to permitting "performance of the usual banking functions" by any or all banking institutions, will be a matter of the highest importance. The emergency has been of a peculiar character. The reassuring facts are that the Government has grasped the nettle firmly and is acting under the advice of our soundest and most experienced financial authorities.

### THE PROCLAMATION.

President ROOSEVELT'S proclamation of a four-day nation-wide bank moratorium and of an embargo during that period on hoarding, export or earmarking of gold, is based on a wartime statute of 1917. That was designed solely to control export of gold and speculation in foreign exchange. The United States Government was then supporting by its loans to its European Allies the exchange value of their currencies at New York. It virtually assumed part of the burden of international payments which had accrued against the European belligerents on neutral markets. In the four months preceding the enactment of the statute our gold exports had exceeded imports by \$96,000,000. The provision that "the President may investigate, regulate, or prohibit" transactions in exchange, "export" "or earmarkings of gold or silver" "coin or bullion or currency," under "such rules and regulations as" "he shall prescribe, by means of" "licenses or otherwise," was designed to protect our own market against an exhausting drain of gold. It was amended in September, 1918, so as to extend the regulatory power to "hoarding and melting" of gold as well as "export or earmarking."

Since there was then no question of internal currency-hoarding or bank difficulties, the occasion for the law of 1917 differed widely from that reinvoking it today. But the wartime act remained upon the statute books. The President now extends its application to domestic money-hoarding. His power to declare a bank moratorium arises from the provision for regulation "by means of licenses or otherwise." But the embargo on both foreign exchange dealings and ordinary banking business is modified by empowering the Secretary of the Treasury, with the President's approval, to permit during the four-day period "any or all" banking institutions "to perform" "any or all of the usual banking functions," or to authorize "issuance of clearing house certificates," or to provide for "special trust accounts" in which "new deposits shall be subject to withdrawal on demand."

The design was to meet, first, the hysterical and nation-wide withdrawal of cash by bank depositors for hoarding purposes. That not only depleted individual bank resources and blocked the banking business, but imposed an abnormal strain on the Reserve system's note circulation, which had to be excessively increased to fill the void. The further purpose was to arrest the panicky hoarding and export of gold, which was pulling down the Federal Banks' reserve while note liabilities were expanding. Prohibition of gold exports, while undoubtedly a temporary suspension of free gold payments, is not abandonment of the gold standard any more than it was from Oct. 6, 1917, to June 9, 1919. But the Government will have to deal with the foreign exchange situation after the expiration of the moratorium. The policy adopted in the wartime period, when regulation of gold exports