

STENOGRAPHER'S MINUTES

(1000-2-10-12)

THE RESERVE BANK  
ORGANIZATION COMMITTEE.

258

"FEDERAL RESERVE DISTRICT DIVISIONS AND LOCATION  
OF FEDERAL RESERVE BANKS AND HEAD OFFICES."

At New York City, N. Y.

January 5, 6 & 7, 1914.

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At New York City, N. Y.

Date January 7, 1914.

Law Reporting Company, Official Stenographers

115 BROADWAY, — NEW YORK

TELEPHONE, 2820 RECTOR



New York, January 7th, 1914.

Met pursuant to adjournment at 10:30 A. M.

Present: Parties as before.

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STATEMENT OF GEORGE F. BAKER, JR.

The Secretary of the Treasury: Mr. Baker, please state your banking connections and experience.

Mr. Baker: Vice-president of the First National Bank. I have been in the banking business 15 years.

The Secretary of the Treasury: Are you familiar with the Federal Reserve Act?

Mr. Baker: Yes, sir, I have read it over with some care, Mr. Secretary.

The Secretary of the Treasury: You realize that the problem immediately confronting the committee is the division of the country into not less than eight nor more than twelve districts as required by the Act?

Mr. Baker: Yes.

The Secretary of the Treasury: We would like to have your views as to what ought to be embraced in the New York district, assuming that a Federal Reserve Bank should be established in New York City.

Mr. Baker: I have felt that the eastern district around New York should be as large as it could be made, to comply with the requirements of making only eight districts; but I do not know whether that suggestion will meet with favor in the general run. If it does not, I think the suggestion that Mr. Hine made, which he embodied in a letter to you, meets my views, with the exception that if my own judgment were asked, I would make it as large as possible for the eastern district around New York.

The Secretary of Agriculture: What is his suggestion?

Mr. Baker: I think he sent it to you last night. I have a copy of it.

The Secretary of Agriculture: Oh, yes. We have not seen that yet.

Mr. Baker: I looked it over with him carefully yesterday.

The Secretary of Agriculture: I see that Mr. Hine in this letter suggests Connecticut, New York and northern New Jersey to comprise this New York district.

The Secretary of the Treasury: Does he give any figures as to the capitalization?

The Secretary of Agriculture: Yes, 425 banks, and a



capital of \$23,400,000 on the six per cent basis.

The Secretary of the Treasury: That appeals to you as being a reasonable arrangement for New York, does it?

Mr. Baker: I think it would be better all around to have New York include New England and include Philadelphia and include Pittsburgh. In other words, I would have it as large as possible.

The Secretary of the Treasury: You mean not only as to area of territory covered, but also as to resources and capital?

Mr. Baker: Yes.

The Secretary of the Treasury: What is your theory about that?

Mr. Baker: My theory about that is that this is the commercial center and whenever there have been large things to do, whether to serve one part of the country or another, they have generally come to New York to accomplish that.

The Secretary of the Treasury: Are you taking into consideration the fact that these several units are co-ordinated through a central board, and that the necessity therefore for having one bank of preponderating strength, will not exist to the same degree under this system as now

exists under the present methods.

Mr. Baker: I appreciate that it does not exist to the same degree; but if it were one large bank, I think it could act more quickly, and it would not take so much discussion, which I presume would be required where all had to act in a unit.

The Secretary of the Treasury: Do you not think it would be better to have eight strong institutions than one strong one and seven weak ones?

Mr. Baker: I would not say that the other seven were weak, Mr. Secretary.

The Secretary of the Treasury: No, but I mean that if one was made of preponderating strength, might it not weaken the others very materially, so that they might not be able to take care of the legitimate demands of the different sections.

Mr. Baker: When I started I tried to cover that by saying I would only make the eastern district as large as possible, and still comply with the requirements of the law to make eight districts, and have all those districts properly equipped. I would not do it to the detriment of any of the others.



The Secretary of the Treasury: Exactly, and it is upon that theory that Mr. Hine's suggestion is now made that recognizing the necessity for dividing the country into eight districts as required by the law, I mean as a minimum, that New York then might be --

The Secretary of Agriculture: Relatively strong.

The Secretary of the Treasury: relatively strong, upon the plan that he suggests here.

The plan referred to by Mr. Hine is as follows:

FIRST NATIONAL BANK.

Francis L. Hine, President. New York, Jan. 6, 1914.

Reserve Bank Organization Committee,

Office of Chamber of Commerce,

New York City.

Sirs:

Supplementing the few words I addressed to you on the 5th instant, I beg to submit the enclosed memorandum containing my suggestions as to the location and extent of eight Regional Reserve Banks.

Very respectfully,

F. L. HINE,

L. Encl.

President.

Federal Reserve Bank of	Including States	Nat. Banks capital & surplus in millions	6% of Nat. Banks capital & surplus in thousands.
Boston	All New England except Conn.	135.	8,100.
New York City	Conn., N.Y. & Northern N.J.	405.	24,300.
Philadelphia or Pittsburgh	Southern N.J., Pa. Del, Va., W.Va., Md., D. C.	358.	21,480
Chicago	Mich., Wisconsin, Ill., Ind., Ohio, Kentucky	330.	19,800.
Atlanta or New Orleans	N.C., S.C., Ga., Fla. Ala., Miss., Tenn., La. Ark, Tex, Okla., N.M.	215.	12,900.
St. Louis, Kansas City or Denver	Missouri, Iowa Kansas, Neb, Colo.	145.	8,700.
San Francisco	Calif, Nevada, Utah, Arizona,	94.	5,640.
Portland, Seattle, Minneapolis or St. Paul	Wash, Ore, Idaho, Montana, Wyoming, N.D., S. D., Minn.	102.	6,120.
Total		1,784	107,040.



Mr. Baker: I do not think Mr. Hine proposes to make New York relatively as strong as I am trying to express it now.

The Secretary of the Treasury: I was speaking of the theory upon which Mr. Hine's suggestion is made, in which you concur to the extent that if it is necessary to have the eight districts, and with as equal distribution of financial strength as possible between them, then you think this would be about the right idea?

Mr. Baker: Yes.

The Secretary of the Treasury: I understand that to be your view?

Mr. Baker: Yes, because I think the general trend of opinion is that that is what is wanted, to have a number of districts in the East here, and if that is what is wanted, I think that is a good division.

The Secretary of the Treasury: I see. Mr. Secretary, do you think of anything else that we wish to ask Mr. Baker?

The Secretary of Agriculture: No, I think not.

The Secretary of the Treasury: That is all. Thank you Mr. Baker.

The Secretary of Agriculture: Do you wish to file this letter and memorandum of Mr. Hine as a part of your testimony?

Mr. Baker: Yes.

The Secretary of the Treasury: It will be made an exhibit to Mr. Hine's testimony taken on Monday.

STATEMENT OF CHARLES H. SABIN.

The Secretary of the Treasury: Please state your banking connection, Mr. Sabin?

Mr. Sabin: I am vice president of the Guaranty Trust Company.

The Secretary of the Treasury: You have examined the law.

Mr. Sabin: I have read it. I would not say I have studied it carefully.

The Secretary of the Treasury: You know the problem with which we are dealing?

Mr. Sabin: Yes.

The Secretary of the Treasury: Will you kindly give us your views?

Mr. Sabin: I have not given this matter very careful consideration, except that I have read about it every day and



have read the law.

It seems to me that the territory comprising the New York district ought to have sufficient capital to handle the volume of business which naturally flows in this direction, and my judgment would be that it ought to comprise New England.

The Secretary of Agriculture: And what other territory?

Mr. Sabin: Possibly New Jersey.

The Secretary of Agriculture: New York State?

Mr. Sabin: New York State.

The Secretary of Agriculture: What is your reason for suggesting that it include all of New England?

Mr. Sabin: It seems to me that the capital will not be sufficient to handle the volume of business coming in this direction unless you do include New England.

The Secretary of Agriculture: Do you regard the capital as the chief factor in the central institution?

Mr. Sabin: That has a bearing upon the deposits, which are the assets. The assets are the factor.

S-a

The Secretary of Agriculture: Just what service do you think that such a strong institution here could serve that one with a smaller banking power might not serve?

Mr. Sabin: The service particularly, it seems to me, is the handling of commodities through this territory, particularly of foreign exchange; that is a very large volume every year.

The Secretary of Agriculture: One thing that this Act undertakes to do is to provide a reserve of banking power, to secure better banking in normal times and provide a reserve of banking power against any strain. Now so far as foreign exchange is concerned, do you think that any one of the eight banks will be the chief factor there, or that the whole system, acting through the Federal Reserve Board, will be the machinery that will control discount rates.

Mr. Sabin: I think naturally the whole system is going to be the control of the discount rates; but the physical work will, a great deal of it, go through this particular territory.

The Secretary of Agriculture: If you were to establish one of the banks at Boston, what area would you include in that district?

Mr. Sabin: I should think it would be logical to have one of the banks in New York; but if you had one in Boston, I do not know but what a branch in New York would do as well. You are going to have branches of the main bank, I understand.

The Secretary of Agriculture: That is contemplated by the law, yes.

Mr. Sabin: It seems to me rather immaterial, except that New York is the logical place, whether it is a branch or a bank.

The Secretary of Agriculture: Have you given any consideration to the division of the country as a whole?

Mr. Sabin: Not particularly. It seems to me that the Comptroller's record showing the currents of exchange should control that to a very large extent. I read Mr. Wiggins' testimony on that and was very much impressed by it; because, knowing the currents of exchange are so much larger in some sections than in others, the only way you can tell is by the Comptroller's records, and I am not sufficiently familiar to speak intelligently about it.

The Secretary of Agriculture: That is as to the present reserve holdings?



Mr. Sabin: The present flow of exchange from one territory to another.

The Secretary of Agriculture: Should you think that the Comptroller's records would show normal conditions?

Mr. Sabin: I should think so.

The Secretary of Agriculture: To what extent does the practice which exists in a number of communities, of paying rather high interest rates on deposits, be regarded as normal or abnormal?

Mr. Sabin: There are some communities where they are abnormal; there is no doubt about that.

The Secretary of Agriculture: Would not that have to be taken into account in interpreting the statistics that are available.

Mr. Sabin: I do not think to such a very great extent, because those districts are not many in number. We can think of one or two districts in the east, and possibly there are some further west or south, where a high rate of interest is not so important and does not cause a very great flow of exchange in that direction. In the east there are one or two.

The Secretary of the Treasury: Exchange is affected very materially, though, Mr. Sabin, is it not, by the place where the reserve balances of the banks are kept.

Mr. Sabin: Yes, it is.

The Secretary of the Treasury: Let us take a city where they pay from three to three and a half per cent interest on country bank accounts or reserve accounts; do you not think that that would unduly attract a very large amount of money to the banks offering those high rates, and that it would not represent the normal intercourse between the city offering such inducements and the rest of the country.

Mr. Sabin: Well, I do not know; I do not think there is but one such city, is there?

The Secretary of the Treasury: Well, suppose there is only one; let us take that as an example?

Mr. Sabin: Yes, I realize that that has attracted in the past. Since 1907 I am not so sure that they have been attracted by high rates.

The Secretary of the Treasury: But undoubtedly that would attract money to such a locality or city which otherwise would not normally go there.

Mr. Sabin: Yes.

The Secretary of the Treasury: And to a very large degree.

Mr. Sabin: I am not so sure as to the large degree. As I said, it did at one time, but I am not so sure, since 1907, that they have been attracted, because at that time there were some difficulties.

The Secretary of the Treasury: That is also influenced further by the fact that some of these cities collect checks without charge and offer advantages of that character.

Mr. Sabin: That attracts a great deal.

The Secretary of the Treasury: You think that attracts to a larger degree than the interest rate?

Mr. Sabin: I do.

The Secretary of the Treasury: That practice is quite common in some cities, is it not?

Mr. Sabin: A few, not so many.

The Secretary of the Treasury: Only a few?

Mr. Sabin: Only a few.

The Secretary of the Treasury: To the extent that that practice exists, the Comptroller's reports would not give us an accurate idea of the normality of things, would it?

Mr. Sabin: You know that practice has existed since the



New York Clearing House rules went into effect more than ever before. Before that they were pretty normal. I imagine then checks came to New York because they collected free, but since then there are a few other cities which have been doing that business.

The Secretary of Agriculture: When was that change made, do you recollect?

Mr. Sabin: I am not sure, but I think it was in '97 or '98.

The Secretary of the Treasury: Of course, it is a very indefinite and indeterminable thing, but have you given any thought to the effect that is going to be produced by the cessation of the privilege that certain cities now enjoy, of being reserve agencies for the rest of the country, and as to what re-distribution of deposits and reserves would normally occur under those conditions.

Mr. Sabin: I have not given much thought to it, no; I have somewhat.

The Secretary of the Treasury: The present system undoubtedly stimulates the depositing of moneys in certain reserve centres to more than the normal demands of commerce would justify, does it not?

Mr. Sabin: Yes, no doubt.

The Secretary of the Treasury: Of course, the bill seeks to correct that practice and distribute those reserves according to normal requirements; therefore, in dividing the country into districts, the problem confronts the committee is to what extent the present practice and present course of exchanges should be a determining influence upon their decision, and that is one of the points upon which we are seeking light.

Mr. Sabin: I should think that would need a great deal of study. I would not pretend to advise you, because there are certain districts which, commercially, are very active, and all have their various lines of business and seasonal business.

The Secretary of Agriculture: You have not undertaken to fix in your own mind the seven or more other centres?

Mr. Sabin: No, I have not.

The Secretary of the Treasury: That is all, Mr. Sabin.  
Thank you.

## STATEMENT OF CHARLES D. DICKEY.

The Secretary of the Treasury: You are a member of the firm of Brown Brothers & Company, are you, Mr. Dickey?

Mr. Dickey: Yes, sir.

The Secretary of the Treasury: Will you kindly give the Committee some idea, for the sake of the record, of your banking experience and the length of your banking connections.

Mr. Dickey: I have been 31 years with the firm and about 25 of that as a partner in New York, Philadelphia, London and Boston.

The Secretary of the Treasury: Your firm does not only a large domestic banking business, but a very large business in foreign exchange?

Mr. Dickey: Yes, I suppose so.

The Secretary of the Treasury: You have branch houses in Boston and Paris?

Mr. Dickey: No.

The Secretary of the Treasury: I mean London and Paris?

Mr. Dickey: No; London, Boston, Philadelphia and New York. Correspondents in a great many other places.

The Secretary of the Treasury: Mr. Dickey, have you



given thought to the problem confronting the Committee here, about the division of the country into districts, and particularly as to the extent of territory that should be served by a regional or federal reserve bank established in New York City?

Mr. Dickey: Yes, I have given considerable thought to it; but I am afraid not half as much as the subject requires or experience will prove to be wise. I personally do not see how it is possible to avoid New York being the principal center. It is my experience that in all civilized countries there has always been one financial center. I do not know any particular reason why there should be, but people gravitate towards that as the center of business. I think that is true in England, France and Germany. I think it always has been, to a certain extent here, -- to a very large extent, in fact. I believe under the present theories of finance it is almost the self-evident result that there should be one greater than the others. That does not reflect at all upon a great many others.

The Secretary of the Treasury: Would you give us your idea as to what territory should be served by the New

York bank/

Mr. Dickey: I think that depends a little on the location of others.

The Secretary of the Treasury: Having relation of course to the division of the country into the minimum and maximum number of districts . You can assume either you like, for the purpose of answering the question.

Mr. Dickey: If there were to be two on the Atlantic Coast, I think I should, without giving the subject such consideration as perhaps I should have, before answering the question, or trying to, -- I have in a general way thought the country north of the Potomac, east of the Alleghanies and south of Canada would be the territory for one Federal Reserve Bank.

The Secretary of the Treasury: Have you figured how much of the banking capital and resources of the country would be absorbed by that one bank?

Mr. Dickey: No, I have not.

The Secretary of the Treasury: You would not leave very much for the other seven reserve banks which must, as a minimum, be established, under the Act, if we start out with that.

Mr. Dickey: Well, there would be some very large centers, I think.

The Secretary of Agriculture: That could include over 45 per cent.

Mr. Dickey: Of the capital?

The Secretary of the Treasury: It would include over sixty per cent, the territory you have described would probably take more than sixty per cent, leaving forty per cent of the remaining capital and resources to be divided between the seven.

Mr. Dickey: I assume in that district there would be several branch banks.

The Secretary of the Treasury: Yes, but you must establish eight reserve banks as a minimum. Suppose that there were three reserve banks along the Atlantic seaboard in the territory north of North Carolina, where would you say that those should be put, starting with New England, for instance?

Mr. Dickey: I am afraid I have not given that hypothesis sufficient consideration. Three north of that I have not considered.

The Secretary of the Treasury: Boston I presume would



be naturally considered as the proper place for New England, would it not?

Mr. Dickey: It is decidedly the financial center, yes.

The Secretary of the Treasury: Then if you had New York -- suggestions have been made by a number of witnesses that New York might comprise the State of New York, the northern part of New Jersey and the western half of Connecticut. Upon that assumption you would have a district south of New York, covering Pennsylvania or Maryland, Delaware, and some of the other states. The question then arises as to whether a reserve bank should be placed at Baltimore, Philadelphia or Washington. In that view, which of those three points would you say would be most advantageous for such a bank?

Mr. Dickey: Why, I suppose Philadelphia probably, or Pittsburgh, possibly -- you did not mention Pittsburgh.

The Secretary of the Treasury: No, but that is in Pennsylvania, of course. To what extent do you consider that foreign exchanges play an important part or ought to have a very serious consideration in determining the location of these federal reserve banks in the east?

Mr. Dickey: I am frank to say I have not given that ques-

tion the slightest consideration yet.

The Secretary of the Treasury: Baltimore originates a great deal of foreign exchange, does it not?

Mr. Dickey: Not a very large amount, compared with other places.

The Secretary of the Treasury: I mean as between Philadelphia and Baltimore; Baltimore originates a very much larger amount of foreign exchange, does it not?

Mr. Dickey: I should be rather surprised if it did, without knowing the figures.

The Secretary of the Treasury: I have asked the question upon the assumption it is true, because other witnesses have testified <sup>that</sup> is a fact.

Mr. Dickey: I have not looked at the figures.

The Secretary of the Treasury: You have not thought then of the division of the remainder of the country?

Mr. Dickey: To a certain extent. Of course it depends a little bit upon whether it is to be eight or twelve. I just jotted down last evening some ideas. Do you wish those?

The Secretary of the Treasury: Yes, we shall be very glad to have your suggestions,

Mr. Dickey: New York, Chicago, St. Louis, Denver, San Francisco, New Orleans, Atlanta, and I think Dallas, Texas, from what I know of it, although I am not very familiar.

The Secretary of the Treasury: Have you arranged, in your mind, any districts to be served by these cities?

Mr. Dickey: No, I am not quite familiar enough with what districts are tributary to those cities or how far the business tends towards one or the other.

The Secretary: Do you think, Mr. Dickey, that the foreign bankers would consider that the resources of the New York bank were all that were available to it, under this Act? I mean in considering its strength or its credit. Or do you think that they would view the eight units as co-ordinated under the Federal Reserve Board and that in case of emergency or otherwise, the whole force and power of the eight units might be exerted, through that Board, at any given point.

Mr. Dickey: I have not thought of that point at all, but I should venture to think that they would consider that they were all co-ordinated, so far as it was able to make banks at different distances co-operate.



The Secretary of the Treasury: That being true, and the chief argument here in favor of a predominating bank in New York being the foreign view that would be taken of its strength, do you think that it would be necessary to have the bank in New York, considering the whole situation, as predominant as has been suggested?

Mr. Dickey: I think that they are so accustomed to having one predominant money center abroad, that they would at first, at any rate, be strongly inclined to take that view of it. I am speaking from the foreigner's viewpoint.

The Secretary of the Treasury: This bank is not going to destroy the character of the money centers of the country. It is only going to be an additional facility. The argument has been presented here that the New York bank ought to be tremendously strong in capital and resources, because foreigners, in dealing with it, -- and the assumption has been that they would deal mostly with the New York bank -- would view its strength solely by the amount of visible capital and resources which it has. An element of very great strength to all of the banks in this system is the co-ordinated power of the banks through the Federal

Reserve Board and the ability of the banks to apply to the Federal Reserve Board for additional assistance when it is required, and that assistance will always be forthcoming, so there is an additional financial asset which is not ordinarily considered in a bank as an asset. In view of these facts, is it necessary to make the New York bank so predominant in capital that it would have to be judged by that alone?

Mr. Dickey: I quite appreciate what you say about the additional strength of any bank here in New York, drawn from the other Federal Reserve banks, but I still think that the eyes of the foreigner would be more apt to focus on one point.

The Secretary of the Treasury: But those gentlemen are very shrewd bankers, and they are very able men, and in considering the power and resources of any one of these banks all the factors will undoubtedly be considered by them.

Mr. Dickey: They will gradually come to understand the system, I think.

The Secretary of the Treasury: Thank you, Mr. Dickey.

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## STATEMENT OF WILLIAM WOODWARD.

The Secretary of Agriculture: Mr. Woodward, will you give the stenographer your banking connections?

Mr. Woodward: I am president of the Hanover National Bank.

The Secretary of Agriculture: Have you considered this problem that we are discussing, Mr. Woodward?

Mr. Woodward: I have thought about it, yes.

The Secretary of Agriculture: We would be very glad if you would give us any views you have about the division of the country as a whole, and especially about this eastern section, the establishment of the centers for the reserve banks.

Mr. Woodward: Well, I do not know that I am very clear in my mind about it, but it seemed to me that it must be a geographical division. If it depends on capital, you are going to center in the East a number of the banks, which I should think is hardly desirable, and I think the capital consideration should be somewhat ignored within the limits which are necessary and have it depend more on the geographical status of the country. Of course, I realize that some of those institutions would be small institutions,



but I do not think that can be avoided, because I do not think that the country bends itself for this purpose into eight districts. I have always felt that four or five would be better. I think possibly that is the weakness that presents the difficulty.

The Secretary of Agriculture: Where would you locate the reserve banks if you were creating eight?

Mr. Woodward: Well, I can hardly answer that, because I do not like the assumption of creating eight. I should tackle the problem this way, I think. I think I would create four or five.

The Secretary of Agriculture: But we cannot. It is useless. That is academic. we are required by law to locate eight.

Mr. Woodward: we misunderstand each other. Locate them in your mind at first, then fit the other three in as best you can.

The Secretary of Agriculture: Approaching it from that point of view how have you thought of the centers?

Mr. Woodward: Well, I think the large centers should have their present large centers: New York, Chicago, St. Louis, and one on the western coast; I presume it would be San Francisco. Another one in the northwest some-

where, I don't know just where; then I think two, or if it would stand it, three in the South. I do not think it will. They would be smaller banks.

The Secretary of Agriculture: What would be your eastern territory?

Mr. Woodward: I have not thought of that in any definiteness. It is easy enough to outline some states, but that has not been gone into deep enough. It should be borne in mind that in a division like undoubtedly the southern banks and the banks in the farming section of the West, they would probably be borrowers at certain seasons of the year.

The Secretary of Agriculture: Under any number of combinations, you could establish eight banks with capital ranging from six or seven millions to twenty-four millions, and your reserves ranging -- I have not tried to figure out the reserves, but of course with much larger reserves. Now, with such a distribution is it not likely that in the various sections of the country they could know and take care of the normal demands, and that in a time of strain, their resources could be utilized and directed to

meet weaknesses anywhere?

Mr. Woodward: I do not fully get your question. Do you mean that if a bank, we will say in Dallas, had a capital of seven millions?

The Secretary of Agriculture: Yes, with much larger surplus, and would not the fact that they know and meet those demands and steady conditions, normally relieve any strain that might come in larger sections?

Mr. Woodward: Well, because this entire section is a borrowing section today, in your seven million dollar bank you are not adding any capital to the capital that is there today. Therefore, I do not see how the bank is to avoid borrowing at the time when more capital is needed in that country.

The Secretary of Agriculture: Well, when that is true, the law provides that the Federal Reserve Board may permit or require rediscount?

Mr. Woodward: Yes.

The Secretary of Agriculture: Now, with that provision in mind, would it make so very much difference whether you have great dominant centers or not?



Mr. Woodward: I think it should be as I said before. I think it should be geographical and not dependent upon the capital. I think that the capital should take care of itself -- that it should be geographical.

The Secretary of Agriculture: Yes, but you see when you come to a practical arrangement, if you take too large an area here you leave relatively little for the other centers.

Mr. Woodward: The alternative seems to be to put three banks here (indicating on map).

The Secretary of Agriculture: In that case, where would you locate them?

Mr. Woodward: I should locate them geographically there. I do not think it makes so much difference where the initial bank is or where its branch is. It is to serve a region, as I get the idea. I think New York should have one.

The Secretary of Agriculture: Would you put in Boston?

Mr. Woodward: Boston is considerable of a center, yes. Probably in Boston -- serve this territory (indicating on map).

The Secretary of Agriculture: Boston at present serves more New England banks than New York, does it not?

Mr. Woodward: Yes, if you eliminate Connecticut?

The Secretary of Agriculture: Which of the centers to the South would you think, Washington, Philadelphia, Baltimore, Pittsburgh?

Mr. Woodward: we would not think of Washington, unless it were the seat of government, and whether that would be a sufficient argument to place a Federal bank there -- it might be well to have it. The officers of the Federal Board are there. Otherwise, I should think Philadelphia or Pittsburgh would be a better center.

The Secretary of Agriculture: That is all. Thank you.

#### STATEMENT OF JOSEPH B. MARTINDALE.

The Secretary of the Treasury: Mr. Martindale, will you kindly give your full name?

Mr. Martindale: Joseph B. Martindale.

The Secretary of the Treasury: You are president of the Chemical National Bank?

Mr. Martindale: Yes.

The Secretary of the Treasury: How long have you been connected with the bank as president?

Mr. Martindale: Upwards of 30 years.

The Secretary of the Treasury: In what capacities?

Mr. Martindale: Clerk and assistant cashier, vice president, president.

The Secretary of the Treasury: How long have you been president?

Mr. Martindale: Three years, vice president, about ten years.

The Secretary of the Treasury: The Chemical National is more of what we call a commercial bank, is it not?

Mr. Martindale: Entirely so.

The Secretary of the Treasury: And I believe it is 80 years old, is it not?

Mr. Martindale: 90 years.

The Secretary of the Treasury: 90 years?

Mr. Martindale: Yes.

The Secretary of the Treasury: It is not sensitive about its age?

Mr. Martindale: Not a bit, sir, proud of it.

The Secretary of the Treasury: Your business covers how much of the country?

Mr. Martindale: Practically all.

The Secretary of the Treasury: Practically all?

Mr. Martindale: Yes.



The Secretary of the Treasury: You are quite familiar, therefore, are you, Mr. Martindale, with the course of commercial exchanges and domestic exchanges?

Mr. Martindale: Fairly so, yes.

The Secretary of the Treasury: To what extent is the Chemical National a reserve agent?

Mr. Martindale: Our national bank balances amount to about four millions of dollars -- four or five.

The Secretary of the Treasury: What are your total deposits?

Mr. Martindale: About thirty millions -- thirty to thirty-two.

The Secretary of the Treasury: Mr. Martindale, you are familiar with the problem before the committee, I presume?

Mr. Martindale: Yes, to an extent.

The Secretary of the Treasury: The immediate problem, I mean, to divide the country into not less than eight nor more than twelve districts?

Mr. Martindale: Yes.

The Secretary of the Treasury: And to establish the headquarters for a regional bank in each one of these districts.

Have you given any thought to this problem?

Mr. Martindale: I have, Mr. Secretary, yes.

The Secretary of the Treasury: We will be very glad if you will give the committee the benefit of your views as to how the country ought to be divided, or if you have not considered the whole of it, such part as you have thought about.

Mr. Martindale: Well, in the first place, the great money centers of this country are New York, Chicago and St. Louis, and they will remain so, in my opinion. It would seem necessary, therefore, to place strong banks in those three cities and draw from a large territory. My own personal opinion is that eight are entirely too many, but since the law reads not less than eight nor more than twelve, I would suggest the following cities: Atlanta, in addition to the three central reserve cities.

The Secretary of the Treasury: That makes four.

Mr. Martindale: Yes. Atlanta, New Orleans, San Francisco, Minneapolis or St. Paul. Then, I assume that by reason of the fact that all of these banks will be under the supervision of the Federal Reserve Board that you will require a bank in Washington. I assume that. I think that the seven

cities I have mentioned will cover the territory sufficiently.

The Secretary of the Treasury: Is that seven or eight?

Mr. Martindale: That is seven. Three central reserve cities, Atlanta, New Orleans, San Francisco, Minneapolis or St. Paul.

The Secretary of the Treasury: Do you exclude Boston?

Mr. Martindale: I should make Boston and Philadelphia a branch of the New York Federal Reserve Bank, the territory to be controlled by the New York bank, to be New York, New Jersey, Pennsylvania and all of New England.

The Secretary of the Treasury: What is your theory there, Mr. Martindale, that you want a bank of preponderant capital?

Mr. Martindale: Have a bank of large capital yes. It is necessary on account of the tremendous amount invested in commercial business in this City, and the borrowings up on the part of the large commercial houses all over the country, in New York.

The Secretary of the Treasury: It is not so much a question of the capital is it, as the resources of this bank?

Mr. Martindale: It is necessary for a bank to have a proper percentage of capital to its resources. The bank might be topheavy or it might not have sufficient capital.

The Secretary of the Treasury: Well, I am speaking of



resources in the combined sense, of course.

Mr. Martindale: Yes.

The Secretary of the Treasury: Capital is one of the resources of a bank?

Mr. Martindale: Yes, but a bank might be overcapitalized or under capitalized, either one is bad.

The Secretary of the Treasury: But a combination of capital and resources is what gives a bank strength?

Mr. Martindale: Undoubtedly.

The Secretary of the Treasury: So I say it is not merely a question of capital?

Mr. Martindale: Not entirely, no.

The Secretary of the Treasury: And the resources of a bank may be not only the actual tangible assets upon its books, but also the power that it may have to draw from other sources, when it is necessary.

Mr. Martindale: There comes to an end to that power.

The Secretary of the Treasury: But it is an element of strength, is it not?

Mr. Martindale: Yes, but it can be overdone.

The Secretary of the Treasury: Oh, there is no question

about that. What I mean is this: In estimating the power of a bank you must take into consideration not only the actual resources which appear on its books, but the power to strengthen itself or to get assistance, which would come through the Federal Reserve Board, under this Act?

Mr. Martindale: There is no doubt of that, Mr. Secretary, but it has got to be very properly and carefully and conservatively handled.

The Secretary of the Treasury: There is no question about that, but what I am getting at is the division of the country into districts as you outlined them there. You are proceeding evidently on the theory that it is necessary to have a bank in New York of preponderant strength. Now, many of the gentlemen have testified to the same effect. The territory you have outlined would give to the Federal Reserve Bank in New York between 40 and 50 per cent of the capital and resources of the country. Now, evidently the gentlemen who take that view are proceeding upon the theory that those are the only resources that this bank will have. That is, it must rely upon its own independent strength at all times, to take care of the situation. The act pro-

vides that these various independent units shall be coordinative through a Federal Board, and that under certain circumstances the entire power and strength of these banks may be exerted, if necessary, and also provides for the conversion of the liquid assets of these banks into currency, under proper conditions, when needed. Now, those I say are elements of strength which must be taken into consideration in the division of the country into these districts.



Mr. Martindale: Yes.

The Secretary of the Treasury: Now in that view of the situation do you think it is so necessary to combine 40 to 50 per cent of the banking capital of the country into any one bank, whether in New York or anywhere else?

Mr. Martindale: Granting all that, Mr. Secretary, I still am of the opinion that the capital of the bank in New York should be greater than the capital of the bank in Atlanta or New Orleans or any one of these other interior cities, because there is a greater volume of business here, and larger amounts of credit are granted here, and there is greater wealth here. Therefore a stronger, larger bank is required here.

The Secretary of the Treasury: That does not quite touch my question, however. I was asking whether or not in view of these additional resources which this bank in New York will have -- I mean the resources which I have described -- it is so necessary to make it absolutely preponderant or so predominant in the matter of capital and resources that the other districts would be provided with a relatively small amount of capital and resources.

Mr. Martindale: You know, Mr. Secretary, to refer to

our conversations in the past, that I have always believed in the benefit to be derived from centralized power.

The Secretary of the Treasury: Then you believe in the Federal Reserve Board?

Mr. Martindale: Therefore New York having demonstrated -- it is not a matter of theory but it had been demonstrated -- that it is the financial centre of this country, and in my humble opinion will always remain so, it is necessary to have a large bank in this city.

The Secretary of the Treasury: That is inevitable in any case, if one is established here, because the provisions of the law are that the contribution to capital of the Federal Reserve Bank shall have an exact mathematical relation to the banking capital and resources of the district.

Mr. Martindale: Yes.

The Secretary of the Treasury: So of necessity that would follow automatically?

Mr. Martindale: Yes.

The Secretary of the Treasury: Now the question confronting the committee, being compelled to establish not less than eight nor more than twelve, is how the country shall be equitably divided so that these banks may have as

much relative strength as possible to the district which each is to serve. In other words, we must get as much of a financial equipoise as possible under this plan. Now in that view of the question we are trying to ascertain what would be the best division of the country, and at this moment we are addressing ourselves more particularly to the eastern part of it.

Mr. Martindale: I think that the commercial business of the east would be better served by having a large bank in New York, with branches in Philadelphia and Boston, and the territorial limits of the region to be as I have stated before.

The Secretary of the Treasury: Would not the district be just as well served if you had a Reserve Bank in Boston, one in New York, and one in Philadelphia or Pittsburgh, as the case may be, because those banks will all be strong, and the exchanges between them can be made in very short order.

Mr. Martindale: Not in my opinion, because I believe that when you get centralized power you get the best effect always, in every line of business.

The Secretary of the Treasury: You are getting very much more centralized power even under that division than you have



got now.

Mr. Martindale: I differ with you there -- you say more than you have now.

The Secretary of the Treasury: Yes.

Mr. Martindale: Yes.

The Secretary of Agriculture: One criticism made of existing or past conditions has been that an abnormal part of the banking power of the different sections has been employed away from home, that there has been an undue congestion and an abnormal congestion of financial power in New York City.

Mr. Martindale: That may have been so to a certain extent, but I think it has been greatly overrated and overstated.

The Secretary of Agriculture: But to the extent to which it is true it would be a desirable change to have the normal conditions restored, would it not?

Mr. Martindale: Mr. Secretary, if money or credit is required in Mobile, it will go there. If it is not required there it will come to New York or some other money centre. That is natural law and you cannot change it.

The Secretary of the Treasury: But suppose that certain centres, like New York, for instance, offer abnormal

inducements.

Mr. Martindale: Do they?

The Secretary of Agriculture: I am asking you, and trying to get the information.

Mr. Martindale: Not in my opinion -- not to any great extent.

The Secretary of Agriculture: It is frequently asserted by students of the problem that money is unduly congested here, employed in particular directions, and that when a strain comes, money cannot be secured by the banks in other parts of the country that sent it here, and that creates an unfortunate condition. Is that true in your judgment?

Mr. Martindale: It has never been so in my experience. I cannot state as to the other banks. We have always been able to respond to the requirements of our banks, not only in normal times, but also in abnormal times. Perhaps we are fortunate in that respect. I have heard this criticism, of course, and there may be an element of truth in it, but I think it has been greatly exaggerated.

The Secretary of Agriculture: In connection with your suggestion that there might be a Reserve Bank in Washington, you know, of course, that there are relatively few banking

connections in Washington.

Mr. Martindale: Yes, I appreciate that.

The Secretary of Agriculture: Would that be a barrier in your judgment?

Mr. Martindale: It would be an objection, but I thought possibly for the reason that the Federal Reserve Board would be located in that city, naturally you would want a bank there or require a bank there with a small capital. That was my reason for mentioning Washington.

The Secretary of Agriculture: You mean more for administration?

Mr. Martindale: Yes, I do.

The Secretary of Agriculture: In case a Federal Reserve Bank were established in Boston, how would you divide the territory?

Mr. Martindale: I had not given that very much thought. I assume then that naturally Boston would want to control the entire New England States with the possible exception of Connecticut.

The Secretary of the Treasury: Thank you, Mr. Martindale.



## STATEMENT OF MR. FRED I. KENT.

The Secretary of Agriculture: Mr. Kent, will you state your banking connection.

Mr. Kent: I am Vice President of the Bankers' Trust Company.

The Secretary of Agriculture: You know that this Committee is required to establish not less than eight nor more than twelve of these Federal Reserve Banks?

Mr. Kent: Yes.

The Secretary of Agriculture: And to divide the country?

Mr. Kent: Yes.

The Secretary of Agriculture: Have you given any consideration to that problem?

Mr. Kent: Yes, I have to a certain extent. It seems to me that the consensus of opinion of men who have not studied the matter carefully and specially as to where these districts should be divided, is not the proper base from which to figure them. Instead, of that I think we ought to consider the facts that exist in this country that cannot be changed.

For instance, we cannot grow cotton in Wall Street, neither can we finance railroads in the cotton fields.

And there are many things in this country that are based on facts that man cannot change. If we establish any regional system which goes contrary to the conditions which exist because of those facts, it is going to be an uneconomical system that is going to cost the country more than it should.

For instance, New York City is the largest port in the world, not because any man or any set of men wish to make it the largest port in the world, but because of its peculiar situation geographically, and the further fact that this country was settled by the people from Europe, which means that our habits and customs are very similar to theirs. Consequently we import more and export more between the United States and Europe than we do between the western country, for instance, and the Orient. The clothing of people in the Orient and of the people in this country is very different. There is not the exchange there. And there are many things like that which mean that New York has grown to its present position because of these things, and not because of any desire of man to make them so.

The same thing is true of Chicago. It is situated at the foot of Lake Michigan, and it is in a natural place to

take business to and from the east and the west, and it is also in a good position to work in the southwestern territory.

Those things have grown up; Chicago and New York are large cities, and other cities are large cities because of natural conditions largely; and the east being settled first, of course its manufacturing interests are larger.

And then again we have in the south a climate that makes possible the growth of cotton, and in the middle west the growth of wheat, and so forth.

Now New York City being in the position it is, is the city of import; and being the city of import, it needs the foreign exchange in order to meet the demands of the importers. That foreign exchange is made largely through cotton which comes from the south. There is no market for the foreign exchange made by that cotton in the south, that is comparatively speaking, consequently that cotton has to be handled by New York; not because New York wishes to handle it particularly, nor because the southern interests that grow the cotton wish to have New York people handle it, but because New York needs the foreign exchange made by that cotton in order to pay for its imports.



And all of the lines that naturally trade through this country seem to center into New York. They go through Chicago and into Minneapolis, and yet Minneapolis, even though it is nearer Chicago, has an immense trade with New York directly over Chicago. The same is true of San Francisco, which deals with Chicago and to a certain extent with St. Louis, but more largely with New York because of these conditions that actually exist.

Now in trying to divide this country into districts, it seems to me we should take into consideration those things, and not opinions. It is quite a proposition, because we are going to try to make a system of regional banks as nearly efficient as a central bank would be, as possible. And in order to do that, if we do not bear these things in mind, we are going to make a very expensive proposition of it.

I do not believe that New York should have a bank that has a capital that is too large in proportion to the rest of the country. On the other hand, I do not think it would be wise, at the moment anyway, to establish any regional bank on the eastern coast other than in New York.

In the first place, the regional banks are authorized

to establish branches abroad, and if we had a regional bank in Boston, New York and Philadelphia and they each established a branch in Europe, it might not be received with much favor by foreign institutions, whereas they might be very glad to work in conjunction with one branch of a bank that would represent the whole country, that would be a branch, say, of a large bank in New York.

The Secretary of the Treasury: Well, on that point, Mr. Kent, these banks' only resource for foreign business is not to establish agencies of their own; they may have correspondents, exactly like your trust company.

Mr. Kent: They could establish branches under the law, could they not?

The Secretary of the Treasury: So could the national banks now under the law establish foreign branches, if they wanted to. But I mean to say that is not their only resource. They may, and probably would, find it more advantageous to establish correspondents; and to that extent it would not be any less advantageous to have the reserve banks, say three reserve banks having correspondents in Europe than to have the number of banks and trust companies in New York having correspondents under the present system.

In other words, these banks are not exclusive of the existing facilities; they are in addition to existing facilities.

Mr. Kent: Yes, except that one thing you wish to accomplish in this regional system, as I understand it, is the control of the shipment of gold. Now we cannot control gold beyond our proper commercial position, but we often can delay shipments until the trade turns and so prevent that entirely. And that can only be done with an institution that is large enough to do it. If you have a large number of institutions dealing in gold or in foreign exchange with Europe, you are going to have the same condition that exists today, that is, that they must base it on profit, and that is the only way gold is shipped back and forth now, so far as this country is concerned, on a basis of profit. Now a public utility bank is supposed to be in a position to ignore profit temporarily, when the needs of the country require it, and on that account it would seem to me we should have a bank in New York that is strong enough so that it could afford to stand that expense, and that would have a sufficient power to get enough bills together and enough credit together



abroad so it could handle the gold proposition as the necessity develops.

The Secretary of the Treasury: You realize, of course, that if you had three of these banks, they are co-ordinated through the Reserve Board, and one of the protections is the uniform interest rate that may be established. Now as it stands to-day, your protection against gold exports is very much less than it will be under this system, even with three reserve banks on the Seaboard, is it not?

Mr. Kent: Well, that might be true and it might not. You see the regional banks are bound together in weakness and not in strength. In other words, it is impossible to make the reserves of each regional bank serve as reserves for all. Instead, when a regional bank gets into trouble or when it becomes extended, or when, in the natural course of business it must borrow from some other regional bank, then when it is in that state of weakness, it takes strength from some other regional bank.

The Secretary of the Treasury: Not of necessity.

Mr. Kent: Well, it would probably have to, in a way. That is, you do not get mobility. In other words, we have

three central reserve cities now and that is considered too many. Now if we increase it to eight, we will have seven too many.

The Secretary of the Treasury: But there is no power of co-ordinating the present reserve cities; no power exists anywhere to coordinate them.

Mr. Kent: No, that is true.

The Secretary of the Treasury: They are independent of each other and do absolutely as they please; but the present system contemplates a very effective co-ordination of these units through the Federal Reserve Board, and that is a very decided element of strength in this system.

Mr. Kent: It is necessary, I grant, in this system, in order to give it any degree of efficiency whatever. But it seems to me that it should be worked out and can be worked out very nicely. If we have a proper Federal Reserve Board, there is no reason why this country should not grow as a change in our banking system of this kind would make possible. But in figuring out the regional districts, it seems to me if you are to have eight to start with, which I understand you must have, if you have one in New York and the other seven are divided in here, as business goes on and develops

you can easily establish another in Boston or Philadelphia, if it seems necessary; whereas, if you divide your strength at the moment, and later you find you do not need one in Boston or in Philadelphia, you have gone to unnecessary expense. It is more difficult to bring a condition back when you have spread it, than it is to let it grow naturally.

The Secretary of Agriculture: Has it not grown that way? Is not Boston a reserve for New England?

Mr. Kent: Why, yes, but on the other hand it is a very small part of the country. For instance, I believe the New England banks, that is the national banks, would have a capital of \$9,900,000 if regional banks were formed in New England, whereas in New York, if you took the natural eastern states, as they are called, it would be about 40,000,000, and the southern states would represent about 15,000,000, and the middle western states about 25,000,000; you see that would include Chicago and St. Louis, and then the western states would be about 6,000,000, and the Pacific states about seven and one half million. That is about the way that divides up.

But we must consider again, it seems to me, the question



of the currents of trade, the way trade works back and forth. For instance, we have, say, about two billion in manufactures around New York City, I believe. Now those manufactures are spread out over the west, and the west has to pay New York for them, and that is one thing that makes New York exchange necessary in the west, just the same as the question of influence. Now we must differentiate in considering the trade of this country between what you would call local trade and through trade, and New York shows a very large proportion of through trade.

The Secretary of the Treasury: Are you proceeding on the assumption that these reserve banks are to be banks of deposit and discount in a general sense?

Mr. Kent: Only of their member banks.

The Secretary of the Treasury: Exactly.

Mr. Kent: Yes.

The Secretary of the Treasury: Now the currents of trade do not affect them to the same extent, because they are  
these reservoirs of credit, and so long as they are accessible to the different districts and the reserve which they hold is readily available for the assistance

of the member banks, that is the important question. The ordinary courses of trade and commerce are not interrupted or interfered with by the establishment of this system. You are consolidating certain of the reserve powers of the banks of this country and are throwing into that some additional resources; for instance, several hundred millions of Government deposits which are now kept in the Treasury at Washington and in the sub-treasuries. Now we are simply making available these resources for the benefit of business generally and to enable an excessive store of credit in the country. Now for that reason it is not so important, is it, that one bank should preponderate or it should have the great majority of the available resources of the country, because even with the larger number, those resources are simply placed in different spots and are accessible to the member banks of those districts.

Mr. Kent: That might be true, if your regional banks could work together in the same manner that a central bank would. But, for instance, suppose you take a small bank in New York with a capital, say, of five million dollars; of course that is smaller than the New York City

banks alone would make, but I mean just to consider it; now how is a bank of that size going to take any appreciable part in handling the gold which goes back and forth between this country and Europe?

The Secretary of the Treasury: It depends entirely upon its resources, apart from capital.

Mr. Kent: But European banks in dealing with this country, are not patriotic. When they come to deal with this country they look to the profit, and to the risk which is to be run. Capital is one of the things they give a good deal of attention to.

The Secretary of the Treasury: But capital and resources combined is the thing which determines.

Mr. Kent: But the resources must necessarily be bound by the resources of that individual bank, because the only value that these other regional banks have to that bank is for it to borrow from them. That is all they can give.



The Secretary of the Treasury: But you realize, Mr. Kent, that the reserves of a Federal Reserve Bank are of a very different character from those of an ordinary bank of discount and deposit. These banks hold the reserves of the member banks, and they are of a liquid character, and they are utilized, under the provisions of this bill, in such a manner that they are kept liquid all the time, and they are there available for use by the member banks, and there cannot be a run on a Federal Reserve Bank.

Mr. Kent: But if there was a run in any district there would be a run on the member banks.

The Secretary of the Treasury: The Federal Reserve Bank, under those circumstances, is expected to be able to assist the member banks. The provisions of the law seem to be quite adequate for that purpose, so that in considering the power of any one of these banks, it must be considered as a related institution to the system and as one of several strong coordinated units and may, in case of necessity, have resource to the combined power of the other banks through the Federal Board. In that aspect of the case, the considerations you are presenting here, while important, are not of the supreme importance that they would be if each

of these banks was an ordinary bank of discount and deposit, as if they were expected to stand alone.

Mr. Kent: Conversationally that might seem to be true, but practically things do not always work out that way.

The Secretary of the Treasury: I am<sup>not</sup> suggesting the practice, I am trying to familiarize you with the structure of this system.

Mr. Kent: I understand the structure very well, but what has been in my mind is the question as to how European banks, with their great big capitals which run from \$50,000,000 up, in many cases, are going to look at a small institution in New York that may be dealing back and forth in the shipment of gold, and that may be particularly true if we realize that the New York City bank is apt to be called upon to make loans out in different parts of the country. There are two sides to that question of being bound to the other banks. On one side it gives strength, if it needs to borrow; on the other is that it may make that bank of less strength if it is forced to loan.

The Secretary of the Treasury: Assuming that these eight banks have a combined capitalization of more than one hundred million dollars?

Mr. Kent: \$106,000,000, I believe.

The Secretary of the Treasury: And that they may hold ultimately something like six hundred to seven hundred or eight hundred millions of dollars of Government deposits and the reserves of the member banks, and all of those units thoroughly coordinated through the Federal Reserve Board, at any time, either domestic or abroad, can you cite any institution in the world that would have the same strength, the same inherent elements of strength that this combined system would have.

Mr. Kent: I cannot see how it is possible for you to figure the reserves of one regional bank as being a part of the reserves of the other, when every regional bank is organized by itself, on its own basis, and the only way it is coordinated with the others is through the loaning power. That is, it may be called upon to loan or it may ask for loans. I think it makes a very different proposition of it. I can see how this may be developed into a very satisfactory system but yet, in order to do so, it seems to me the districts should be divided with the greatest care and that was one phase of it that appeared to me. Now, I am a western man; I was born in Illinois and brought up there, and I have



always felt as though this was one great country, the United States of America, and I notice that the western people and the southern people and others seem to think possibly New York is too powerful at home here, but we are very proud of it in Europe and we ought to be proud of it in this country too. We are just as much a part of the south's wonderful cotton crop -- and the men in the west should be, all of us. It seems to me it is not a question of for instance trying to divide up the cotton fields and have part of the cotton grown in the north or of trying to divide up the great financial power of New York and trying to put that out in the desert or in the country, but a question of trying to work this thing out for the benefit of all.

The Secretary of Agriculture: No one is interested in any other question.

Mr. Kent: I realize that. I did not want you to misunderstand me, that I was urging New York as against the other part of the country.

The Secretary of Agriculture: We can waive all that. We are all interested in working out a system that will be best for the nation.

The Secretary of the Treasury: This is purely an economic

problem and it has to be dealt with in the broadest possible spirit of patriotism and intelligence, and the purpose of this committee in having these hearings is to get the benefit of the best judgment of the business men and bankers of this country to enable us to put this system into operation not for the benefit of any locality but the country as a whole; so we might dismiss any other consideration.

Mr. Kent: I appreciate that. The reason I mentioned what I did was because I wanted you to realize I had that in mind also, and in speaking for New York in the manner I have done, it is not because I think New York should be favored, because I don't think so; it was only for the purpose of expediency.

The Secretary of the Treasury: You were suggesting the districts that you had in your mind. What would you say should be the reserve cities, if you have not less than eight.

Mr. Kent: That is a pretty difficult problem, without sitting down and going into figures for a good many hours.

The Secretary of the Treasury: You haven't done that?

Mr. Kent: No, I admit I have not. I did do this, I took the natural divisions of the country as shown by the Comptroller and figured out the percentage of capital, to see

how it would work, and those are the figures I gave you a few minutes ago, and that is as far as I have gone. The channels of trade, it seems to me, should be considered. It may be that you could work over those channels of trade, but it would seem as though it would be uneconomic.

The Secretary of Agriculture: We are required to do that by law, as well as by the natural economic view of it.

Mr. Kent: Yes.

The Secretary of Agriculture: Would you have time and inclination to study over the matter further, and give us your views in a little brief on the subject, and mark a map for us, giving your notions as to the division of the territory.

Mr. Kent: I will be very pleased to do so if you would like to have me.

The Secretary of the Treasury: If you will take that and let us have that map with your suggestions for the division of the country at as early a moment as you can, we shall be very much obliged to you.

Mr. Kent: How long would I have to prepare it? I would like to give it careful thought.

The Secretary of the Treasury: Would a week be sufficient?



Mr. Kent: Yes.

The Secretary of the Treasury: Will you kindly send it to Washington?

Mr. Kent: yes.

The Secretary of the Treasury: And we will attach it to your testimony.

STATEMENT OF STEPHEN BAKER.

The Secretary of Agriculture: Will you state your banking connection, Mr. Baker, for the sake of the record.

Mr. Baker: I am President of the Bank of Manhattan Company.

The Secretary of Agriculture: You know the problem we are wrestling with? We would be very glad to have any suggestions or expressions from you to help us.

Mr. Baker: Mr. Secretary, I feel that I would be in favor, have been in favor under this bill of reducing the regional reserve banks down to as small a proportion as possible, but recognize that the bill has become a law and that the bill provides for eight regional reserve banks as a minimum and twelve as a maximum. So it seems to me that consideration should be given to locating those regional

reserve banks so as to make them, as nearly as possible, of an equal strength, in so far as the business that may become contiguous to that certain section will allow. I do not want to take up your time and I haven't much to say. Possibly I can convey my ideas or thoughts by simply saying that so far as eight regional reserve banks are concerned, I would want to put them so that possibly one strong bank could be able to take care of a large amount of what might be called weak territory, and not divide the territory of the United States up into a number of small districts which would not be able to take care of their requirements, and while I believe that from the natural course of business, as it is centred and gravitated naturally toward the larger centres and the trade in them, that especially New York ought to have a fairly large territory, yet I think in consideration of there being eight regional reserve banks, there ought to be one in Boston, one in New York, one in Philadelphia, one in the south, one in Chicago, one in St. Louis, one in the northwest, say at St. Paul or Minneapolis, to control the grain trade, and one on the Pacific Coast.

The Secretary of Agriculture: You would think that Philadelphia would be the natural centre perhaps for the

south.

Mr. Baker: It is a question as to whether Philadelphia would go far enough south to reach the requirements of that southern country. You have got to have a location also that will bring you sufficiently within mail communication of your central point, and I think if you had no regional reserve bank farther to the south, that Philadelphia would be entirely too far from your mail communication. That criticism might also be true so far as the southwest is concerned; and on the other hand it seems to me as though it would be very necessary, in covering a large extent of this more sparsely settled section of the country, that you should have one strong institution, in capital and surplus, like St. Louis, to take care of that section.

The Secretary of Agriculture: Had you thought of the problem presented by that group of cities to the south of us, Baltimore, Philadelphia, Washington and Pittsburgh?

Mr. Baker: I would eliminate Washington entirely, because I cannot see that there is any concentration of trade in Washington. There is no large manufacturing going on in Washington, and I should judge <sup>as to</sup> the cities to the south-- that Philadelphia would be certainly able to take care of



Baltimore business.

The Secretary of Agriculture: At present Baltimore seems to have larger banking connections with the south than Philadelphia, judging from the number of banks.

Mr. Baker: I think it would be a mistake to place two reserve institutions so close together.

The Secretary of Agriculture: I meant as between those two.

Mr. Baker: I should think that Philadelphia, controlling the large manufacturing business and tonnage that there is throughout the State of Pennsylvania especially, would more than offset what might be the greater business of Baltimore, and therefore control a larger amount of business. I should be in favor of having the stronger and larger institution as the centre of the reserve system. The Baltimore business could be very easily handled by a branch.

The Secretary of Agriculture: I was going to ask you more definitely about the south, from your business experience and connection. What centre in the south would you suggest?

Mr. Baker: My business, of course, Mr. Secretary, with the south amounts to but very little, because I am a state

institution and I have no general business connections through the south. If I answered that question it would simply be more of a matter of taking the geographical centres rather than speaking from experience.

The Secretary of the Treasury: To what extent do you think that the foreign business of Baltimore is an important factor in the location of a Federal Reserve Bank for that district, assuming that Baltimore and Philadelphia are both in that district.

Mr. Baker: Mr. Secretary, I know very little about the foreign business of Baltimore. I could not really speak upon it.

The Secretary of the Treasury: But if it were large, if there was a large foreign business at Baltimore, and a small foreign business at Philadelphia, would you consider that that fact ought to have a serious influence upon the selection of one or the other of those cities.

Mr. Baker: I should think the foreign business could be easily handled through the channels through which it is handled at the present time.

The Secretary of the Treasury: I asked the question because some arguments have been made in favor of those

cities which have a large export trade, and Baltimore, of course, is a very important export point for grain now and also a point of growing importance for other commodities.

Thank you, Mr. Baker.

Is Mr. Gallaway, of the Merchants National, here?

STATEMENT OF ROBERT M. GALLAWAY.

The Secretary of the Treasury: Mr. Gallaway, have you stated your connections?

Mr. Gallaway: I have stated my name. I was only asked my name.

The Secretary of the Treasury: Will you be good enough to give us your bank?

Mr. Gallaway: I am President of the Merchants National Bank.

The Secretary of the Treasury: You are familiar, are you, with the problem we are trying to solve, the division of the country into not less than eight nor more than twelve Federal Reserve districts?

Mr. Gallaway: I am somewhat familiar, yes.

The Secretary of the Treasury: Have you given it any thought and could you give us the benefit of your views on



such a division?

Mr. Gallaway: No. I haven't given it any thought so as to give the committee the benefit of any views, because there are so many other thinking people around I did not see where I would come in.

The Secretary of the Treasury: You are over-modest, Mr. Gallaway. Would you be good enough to take one of these maps and give the subject some thought, and give us the benefit of any suggestion you may have to offer.

Mr. Gallaway: I have no suggestion.

The Secretary of the Treasury: I say, will you be good enough to consider it and submit later any suggestion you may have to offer?

Mr. Gallaway: As I understand it, there can be not less than eight nor more than twelve?

The Secretary of the Treasury: Quite right.

Mr. Gallaway: And you want to locate those eight or twelve?

The Secretary of the Treasury: Yes.

Mr. Gallaway: Well, my idea is that you should have about as large a one in New York as you can get. I think that ought to include say New England, New Jersey and Pennsylvania,

so as to have a large capital in the bank here, much larger than any of the other banks. What good would it be unless you had it just about <sup>twice</sup> as large or three times as large?

The Secretary of the Treasury: Where would you put the other banks, Mr. Gallaway?

Mr. Gallaway: I would have one in Chicago, one in St. Louis, one in Atlanta or on the Seaboard down in the south, one in New Orleans, and in the northwest, somewhere in the northwest and on the Pacific Coast.

The Secretary of the Treasury: That makes seven.

The Secretary of Agriculture: You would not put one in the section represented by Philadelphia or Baltimore?

Mr. Gallaway: I do not see the necessity for it.

The Secretary of the Treasury: You would make this one serve from Virginia to Canada?

Mr. Gallaway: Yes. I would have one either at Atlanta or at Savannah. I think the South ought to be very well taken care of, because they want money down there all the time to move the crops, and the same is true in the East.

The Secretary of the Treasury: Did you think of Denver as one?

Mr. Gallaway: No, I never thought of Denver.

The Secretary of the Treasury: I think you gave us seven where do you think the eighth ought to go?

Mr. Gallaway: Somewhere on the other side of the Rocky Mountains.

The Secretary of the Treasury: You would have one in San Francisco?

Mr. Gallaway: Yes.

The Secretary of the Treasury: And do you mean one up in the Northwest, at Seattle or Portland?



Mr. Gallaway: Up there in the Northwest.

The Secretary of the Treasury: Thank you, Mr. Gallaway.

STATEMENT OF WILLIAM H. WILLIAMS.

The Secretary of Agriculture: Mr. Williams, please state your banking connection.

Mr. Williams: Vice president of the Title Guarantee & Trust Company of Queens County.

The Secretary of Agriculture: You have heard the statement of our problem?

Mr. Williams: Yes.

The Secretary of Agriculture: Have you studied this new law?

Mr. Williams: No, I have not.

The Secretary of Agriculture: Will you please be good enough to give us any views you have on this question of the location of reserve banks, and their territory?

Mr. Williams: I have a distinct belief as to the division of territory around New York, not because of its being New York, but because of its present commercial supremacy, that it should receive a bank which is able to take care of that commerce, and that the regional reserve

bank for this district should be built heavy enough to take care of all our requirements and a good many of the requirements of the United States; but I do feel that in dividing the three for the Atlantic Coast, about which I have heard so much -- that is if there is such a division into three -- I should consider the Coast in a little different way from what it has been considered by some of the others who have appeared before you.

I should consider the Coast more in its relation to foreign countries, and I would put one bank in New York, and one in Baltimore, and then I would consider some city along the Gulf, for instance New Orleans. I should consider those as the three regional reserve centers, because while I am engaged in banking I am also heavily interested in exporting and importing business, and those cities have a lot of reason to be in direct communication with foreign countries, and do not need so much to come to New York. Of course we do move a lot of the cotton crop from New York, but I thought in considering the three regional banks in the East it would be a very good idea to consider the problem as a Coast problem instead of entirely as a central problem.

I do not see any reason for a Federal reserve bank at Washington at all, because of course Washington has the main board. That is my own personal view.

Of course our banking in the institution which I represent is more local than foreign.

In the Western States of course there are natural points that these banks would have to go to, but I think the larger you make the reserve bank at New York, the better for the whole system that you are trying to take care of.

The Secretary of Agriculture: And from the point of view of your experience in the exporting trade you would rather look towards the export centers, New Orleans and Baltimore?

Mr. Williams: I think they ought to be taken into consideration in establishing the three banks. If you establish three banks on the eastern coast, I think you ought to take the whole Atlantic Coast for the establishment of three banks, and then take your western coast for two banks -- I do not know whether that is the proper number there -- and not consider the Atlantic Coast as one division and the Gulf as another division.

The Secretary of Agriculture: That would leave the basis



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William H. Williams

for a minimum number of three for the central section.

Mr. Williams: Yes, but that would cover the importing and exporting business in the way I have mentioned, and a great deal of money is required for that.

The Secretary of Agriculture: That would leave three for the interior. Where would you locate those?

Mr. Williams: I am not familiar enough with the interior except I think Chicago is a very fundamental point, and St. Louis is another.

With the sort of a seacoast which we have, those are my suggestions.

Our president will be here later on.

The secretary of Agriculture: Thank you, Mr. Williams.

#### STATEMENT OF W. M. VAN DEUSEN.

The secretary of the Treasury: Please state your banking connection?

Mr. VanDeusen: I am cashier of the National Newark Banking Company, of Newark, New Jersey, and I am chairman of the Banking and Currency Committee of the New Jersey Bankers Association.

I have asked the privilege of appearing before you to communicate to you the desires of the banks of New Jersey as to the district that each should be located in, in case you divide New Jersey.

The Secretary of the Treasury: What number of banks is represented by you for this particular purpose?

Mr. VanDeusen: About 275, and there are about 320 banks in New Jersey.

The Secretary of Agriculture: Not that many national banks?

Mr. VanDeusen: No, commercial banks.

The Secretary of Agriculture: There are 203 national banks in New Jersey.

Mr. VanDeusen: Yes.

The Secretary of the Treasury: You are here with authority to speak for them?

Mr. VanDeusen: Yes, we have made a canvass.

The Secretary of the Treasury: Expressed in what form?

Mr. VanDeusen: We sent out a circular to all of our member banks in the State, asking them if a reserve bank should be established in Philadelphia -- we are not advocating that,

but if one was established in New York and one in Philadelphia -- which territory they would prefer to be located in.

The secretary of Agriculture: What is your view?

Mr. VanDeusen: The replies received from them would indicate a division of the State by counties. I do not suppose you would cut up a county. By counties, Philadelphia would take in the counties of Burlington, Camden, Atlantic, Gloucester, Salem, Cumberland, Cape May and Mercer.

The Secretary of Agriculture: Mercer County includes Trenton does it not?

Mr. VanDeusen: Yes, it includes Trenton, Princeton and a few smaller towns.

The secretary of Agriculture: Would those counties include about two thirds of the State, north and south?

Mr. VanDeusen: It is a division territorially which is almost equal, the line running practically through Trenton right straight across the state.

The New York district would include the counties of Sussex, Passaic, Bergen, Warren, Morris, Essex, Hudson, Hunterdon, Somerset, Union, Middlesex, Monmouth and Ocean.



The Secretary of the Treasury: You spoke of Passaic, did you not?

Mr. Van Deusen: Yes, Passaic in the New York district. The trade and financial interests of New Jersey divide almost along the short line. The trade south of that goes almost exclusively to Philadelphia, and north of that almost exclusively to New York, and the bankers of those towns, north and south of there, go very frequently to those cities. I presume almost all of them go at least once a week to one city or another, and their interests are that way. The commercial interests follow very closely that way. For instance, in the south, the farmers in agricultural districts, they sell almost exclusively to Philadelphia, and in the north almost exclusively to New York, and commercial purchases are made that way.

The Secretary of Agriculture: Does that reference carry with it any expression of opinion as to whether they desire a reserve bank in Philadelphia?

Mr. Van Deusen: No, we did not take that point up at all.

The Secretary of Agriculture: You got no intimation?

Mr. Van Deusen: Well, we have in a few cases an intimation, but we did not ask for that. That was volunteered.

The only case there, where there was any division is in Mercer County. Trenton is naturally affiliated with Philadelphia. It is nearer there by rail, and their business is primarily with Philadelphia. Princeton and Pennington, they seem to be more closely affiliated with New York, but they did not express themselves strongly enough to warrant a division of the county.

The Secretary of Agriculture: Do you desire to express any opinion as to the general problem?

Mr. Van Deusen: Personally -- now speaking personally entirely, -- personally, I should prefer to see as strong a bank as possible in New York, I think it would serve the district better and serve the country better.

STATEMENT OF FREDERICK E. FARNSWORTH.

The Secretary of the Treasury: Mr. Farnsworth, will you state your name and business for the benefit of the record.

Mr. Farnsworth: Frederick E. Farnsworth, General Secretary, American Bankers Association, Secretary of the Currency Commission.

The Secretary of the Treasury: Mr. Farnsworth, you know the problem we are immediately addressing ourselves to?

Mr. Farnsworth: Yes, sir.

The Secretary of the Treasury: Have you some suggestions to offer about the division of the country into these districts?

Mr. Farnsworth: Well, in the first place I want to state so there wont be any misunderstanding in regard to anything, I may say this in a personal capacity more than in an official capacity. The American Bankers Association has fourteen thousand banks, which represent about 100,000 bank officers and bank directors. Of course, I am not authorized to make any suggestions for the Association. Perhaps Mr. Hepburn who appeared before you Monday, has the authority in speaking for the Currency Commission.

The Secretary of the Treasury: You are submitting merely your individual views?

Mr. Farnsworth: My individual views, based on my knowledge of the country, and of course the membership of the Association. I have not given very much thought to the division of the country, but what opinion I have is based very largely, I think, on the testimony that has been given here, and that is that the cities to be selected should be the cities to which trade is tributary and are



known as financial centers. Another question in my mind regarding New York City, New York City has been the financial center of the country always, and it is to-day. There is no question in my mind regarding it.

The Secretary of the Treasury: Well, now, Mr. Farnsworth, if you are basing your views, as you say, upon the testimony that you have heard here, then I think that it would be better if you would simply take one of these maps--

Mr. Farnsworth: I am not basing it on the testimony. I simply stated that my opinion -- if I said base, I should not have said that. My opinion is similar to the testimony which has been based, I say largely, on the cities of the country where the banking business is tributary to.

The Secretary of the Treasury: Now, what cities would you suggest as the headquarters for the different banks?

Mr. Farnsworth: I want to say in that connection, that I have heard some testimony this morning, and I believe that after the organization of the federal reserve banks or the regional banks, that there will still be a very large amount of business that will be tributary to these various cities, regardless of the fact that the reserves will be withdrawn. I think it is somewhat problematical

yet as to just how far the state institutions or the state banks will go into the system. If the state banks do not go into the system generally, those banks will still do business with New York and Chicago and St. Louis, regardless of reserve cities and central reserve cities and a large business--

The Secretary of the Treasury: That discussion is aside from our problem, Mr. Farnsworth. We are glad to hear these academic discussions, but must confine ourselves to the immediate problem. If you have any definite idea as to where these eight or more banks should be established, we would be very glad to have it.

Mr. Farnsworth: I should say New York City, Chicago, St. Louis, New Orleans, San Francisco, Boston and for the eastern seaboard Baltimore-Philadelphia, Baltimore-Washington. My inclination toward Washington would be more from the standpoint of the Federal Reserve Board being organized and its headquarters there, and it might be of some advantage, being the seat of the Government, to have a regional bank in Washington; and Atlanta, Georgia. That, I think, would comprise the eight banks which the Act calls for and probably more than that. It would be

between Baltimore and Washington, but in favor of Washington on the suggestion I made in regard to being the seat of Government.

The Secretary of the Treasury: Thank you, Mr. Farnsworth.

Mr. Farnsworth: I just want to give, if you gentlemen will allow me, --to just make one statement here which you may not be familiar with, it may not be along the lines of this, but will simply give you some information that you may not have at the present time, and that is the work of the Association along certain lines, which gives this system perhaps great advantages which it otherwise would not have had, and that is in regard to the uniform laws. During 1913, 36 laws on ten subjects of legislation recommended by the Association, were placed on the statute books of twenty states. These included the Uniform Negotiable Instruments Act, Uniform Warehouse Receipts Act, Uniform Bills of Lading Act, False Statements for Credit, Giving of Checks or Drafts without Funds, and Liability of Banks for Payment of Forged or Raised Checks. In the last six years of organized effort by the Association through its Law Committee and the office of the General



Counsel, more than 200 measures have been enacted relating to instruments arising from commercial transactions. The Uniform Negotiable Instrument Act has been passed now by almost every state in the Union.

The Secretary of the Treasury: Thank you, Mr. Farnsworth.

STATEMENT OF CHARLES E. HOYT.

The Secretary of the Treasury: Mr. Hoyt, will you give your full name and business for the benefit of the record.

Mr. Hoyt: Charles E. Hoyt, Secretary of the Connecticut Bankers Association. I simply want to represent the request of the Connecticut Bankers Association, or the member banks, to be placed if a reserve bank is established in Boston, in the New York District. We heard it rumored that we were likely to be placed with New England in there, and many of the bankers of the state requested the Executive Committee to get together, which they did at a meeting, and while they felt they knew pretty thoroughly the feelings of the banks of the state, yet they directed me to send out a notice, which I did in that form (indicating postal card), and there are 115 banks and trust companies which are eligible to join the Reserve Associa-

tion and I have here --

The Secretary of Agriculture: There are 78 national banks.

Mr. Hoyt: 78 national banks. I have here 88 replies.

The Secretary of the Treasury: How many from national banks?

Mr. Hoyt: I have not separated them, but a large part of them the replies favorable to New York are from national banks. Only seven replies favorable to Boston, of which only three of those are national banks and only one large one, Norwich. The others are from small new trust companies

The Secretary of the Treasury: Will you file these?

Mr. Hoyt: I will be very glad to file them.

The Secretary of the Treasury: Just let them be filed with Mr. Hoyt's testimony.

The Secretary of Agriculture: That embraces banks east as well as west.

Mr. Hoyt: That takes up the whole state.

#### STATEMENT OF HENRY M. WELLS.

The Secretary of the Treasury: Mr. Wells, will you state your name and business.

Mr. Wells: Henry M. Wells, President National City Bank

of Brooklyn.

The Secretary of the Treasury: How long have you been President of your bank?

Mr. Wells: Two years.

The Secretary of the Treasury: What was your previous banking experience?

Mr. Wells: I was cashier of that bank for the previous 12 years; in connection with the bank for 28.

The Secretary of the Treasury: Mr. Wells, will you be good enough to give your suggestions, if you have definite and concrete ideas.

Mr. Wells: I could hardly call them suggestions. Of course in Brooklyn we are still, I presume, a reserve city, or are we now a central reserve city as part of Greater New York? I have not heard that question answered yet, although that would not affect my views at all.

The Secretary of the Treasury: Reserve city.

Mr. Wells: We still continue as a reserve city. Now, I think that in a very, very few words, I could express, perhaps, the sentiment of the Brooklyn bankers and perhaps the Long Island bankers. I would not say that; but that we are in accord with the sentiments that have already been



expressed by particularly, perhaps, Mr. Frew, or Mr. McGarrah -- a combination of the two, that New York should be supplied with a bank large enough to properly take care of and if necessary control the situation. Of course, we have to meet conditions as they are and the condition here is that New York is the financial center, and even though it might be at the expense of some other districts, is it not necessary for the committee to meet those conditions as they exist, not perhaps as they would like to have them? Personally, I believe that Boston, as it is now a clearing house really for New England, other things being equal, should have a reserve bank there.

The Secretary of the Treasury: You have not considered the rest of the country then.

Mr. Wells: I think that the central reserve cities should be provided in each case with large enough reserve banks to properly take care of the field and the wants of the communities which they cover, which are included in that district, even though it might perhaps cripple and make smaller some other institutions. Of course, our opinion in Brooklyn is -- I would not say moulded, but you cannot read testimony, if you have not a plan mapped out

in your own mind, without being largely influenced by that.

The Secretary of the Treasury: Your views are more largely influenced by the testimony you have read than by any study you have given.

Mr. Wells: No, I would not say that, but the views as expressed will, of course, have a certain bearing upon a man who has not already formulated a plan for himself for his own satisfaction.

The Secretary of the Treasury: Thank you.

STATEMENT OF FREDERICK G. LEE.

The Secretary of the Treasury: You are President of the Broadway Trust Company?

Mr. Lee: Yes, sir.

The Secretary of Agriculture: Mr. Lee, have you given much thought to this question that we are considering?

Mr. Lee: I have given some thought to it, yes.

The Secretary of Agriculture: Would you give us any views that you have, bearing on the whole problem or any part of it.

Mr. Lee: I have figured out in my mind that it will be necessary, not having one central bank, to have nine of them.

The cities that ought to be in <sup>are</sup> Boston, because that is the metropolis of New England. The business of New England, the whole spirit of it runs into Boston. New York, naturally, and I think that New York ought to be as large a bank in capital, deposits and territory covered as it can. Pittsburgh, serving the Ohio Valley, West Virginia and part of Kentucky. Baltimore, rather than either Richmond or Washington, because that is a sea coast city and the south -- the northern part of the south is tributary to Baltimore, just the same as it is to either Richmond or Washington. Chicago, on account of its pre-eminence in every way. St. Louis, New Orleans and a city on the western coast, whether it ought to be San Francisco or Los Angeles, I have not any opinion. Some city there.

The Secretary of the Treasury: That would make nine.

Mr. Lee: That would make nine. I do not see how the natural divisions of the country and the business tributary in those divisions, can be covered with less than that.

The Secretary of Agriculture: If you were to place one at Pittsburgh, where would you draw the line?

Mr. Lee: I would have it, generally speaking, covering the Ohio Valley, practically all of Ohio, the southern part



of Indiana, Kentucky and West Virginia and the western part of Virginia itself.

The Secretary of Agriculture: In Pennsylvania.

Mr. Lee: Pennsylvania, it will go somewhere around Altoona. The difference in time from Pittsburgh to New York is somewhat considered in determining just where that line should go. I only have this other thought, that putting banks in perhaps what you might call the poorer sections of the country, due thought must be had to the fact that they should not all be borrowers. That is, you cannot have a territory where all the banks are borrowers, it seems to me. I know that some banks have trouble on that account nowadays, because they have more borrowers than depositors, and that might likely be the case in some of this territory where the banks themselves might be borrowers a large part of the year.

STATEMENT OF EDWARD S. STROBHAR.

The Secretary of the Treasury: Mr. Strobhar, will you kindly give your name and state your connection and business experience.

Mr. Strobhar: Edward S. Strobhar. My experience -- well I am with the President's office of the Bradstreet Com-

pany.

The Secretary of the Treasury: What position do you occupy there?

Mr. Strobhar: Well, I assist in the management of the business.

The Secretary of the Treasury: Would you call yourself assistant to the President? Is that your title?

Mr. Strobhar: That is the nature of the business. I would not like to assume to say that I was that, but that is the nature of the business, assisting the President.

The Secretary of the Treasury: Who is the President of your company?

Mr. Strobhar: Henry E. Dunn.

The Secretary of the Treasury: Is he in town?

Mr. Strobhar: Yes, sir. Your telegram requesting us to attend this meeting, we only got this morning; got it from Boston.

The Secretary of the Treasury: You got it from Boston?

Mr. Strobhar: Yes, sir.

The Secretary of the Treasury: Why didn't you get it from New York?

Mr. Strobhar: I don't know.

The Secretary of the Treasury: I do not quite understand how you got it from Boston.

Mr. Strobhar: Well, it was signed by Mr. Elliott.

The Secretary of the Treasury: Well, you have been communicated with previously on the telephone?

Mr. Strobhar: No, sir.

The Secretary of the Treasury: Mr. Strobhar, the Committee is desirous of learning something about the courses of trade and commerce in the country, and we have thought that perhaps the Bradstreet Company, with its large knowledge of the business conditions throughout the country, could give us some light on that subject. Are we correct in that assumption?

Mr. Strobhar: Well, only in a general way, just as you see -- for instance, we have no statistics bearing on that. That is not our function. Our business is to report the individual merchants.

The Secretary of the Treasury: You publish some tabulation, do you not, of the number of manufacturers and business concerns in the different cities of the country?

Mr. Strobhar: Yes, sir.

The Secretary of the Treasury: In the different states?



Mr. Strobhar: Yes, sir.

The Secretary of the Treasury: Is that supposed to comprehend all of them, or only those who are subscribers to the agency?

Mr. Strobhar: Oh, no, all of them.

The Secretary of the Treasury: You think it is an accurate statement, do you?

Mr. Strobhar: Well, reasonably so.

The Secretary of the Treasury: What is the latest one of such statements you have made?

Mr. Strobhar: Well, January, 1914.

The Secretary of the Treasury: And that is brought up to date, is it?

Mr. Strobhar: Yes, sir.

The Secretary of the Treasury: Could you furnish us with one of those statements?

Mr. Strobhar: Yes, sir.

The Secretary of the Treasury: Have you one with you?

Mr. Strobhar: I haven't one with me.

The Secretary of the Treasury: If you will send it to the Committee, it will be made an exhibit to your testimony.

Mr. Strobhar: Let me see if I understand what it is.

We issued on the first of the year a list of failures during the year. Is that what you have in mind?

The Secretary of the Treasury: No, you have, as I recall it, a statement by cities or by different states showing the number of manufacturers and business men, either dealt with by your local officers or comprehended in a given district.

Mr. Stobhar: Yes. That would only be in the volume, in the general Bradstreet volume.

The secretary of the Treasury: No, I have seen such a printed statement separately from the volume.

Mr. Strobhar: I do not recall it. I do not think so. You see, the figures --

The Secretary of the Treasury: It is not material but it might shed some light on one branch of the inquiry in which we are interested.

Mr. Strobhar: We are at your service to furnish you with any facts which are in our possession.

The secretary of Agriculture: Have you any views on this problem based on your experience and knowledge of the country?

The Secretary of the Treasury: (Handing paper) Here is a copy of the statement I was thinking of. Is that one of yours?

Mr. Strobhar: Yes, that is ours. We have that as of



January.

The Secretary of the Treasury: Well, would you give us one of those, that is what I was driving at.

Mr. Strobhar: Yes.

The Secretary of Agriculture: Have you given any thought to this problem we are considering, and would your experience with the firm give you data that would enable you to form an opinion?

Mr. Strobhar: Well, I have not thought that particular point out. I think that the closer the regional banks are to the proposition they have to handle the more intelligently and satisfactorily they can get to it; but as to where they should be located, we have not views to give you on that. We think that is another matter.

The Secretary of Agriculture: What does this summary give here? It says names; is it names of firms or --

Mr. Strobhar: Names of merchants, by states. For example, in Alabama we have offices in those places, and each place has charge of that many names.

The Secretary of the Treasury: But it does not undertake to give the total number of business firms and their business

in each particular state?

Mr. Strobhar: Yes.

The Secretary of the Treasury: The total number?

Mr. Strobhar: Yes, we can easily give you that.

The Secretary of the Treasury: In other words, you consider that an accurate census.

Mr. Strobhar: Yes.

The Secretary of the Treasury: I had understood that it was, and I thought as it was a late one we should be glad to have it.

Mr. Strobhar: We would be pleased to give you that or any other information at our command.

The Secretary of the Treasury: And if you would accompany that with an explanation as to its meaning, I mean as to whether it is supposed to be accurate and up to date and whether it comprises all the business men or only those reporting to your office, we should be glad to have that.

Mr. Strobhar: Yes.

The Secretary of Agriculture: And any other information underlying this which would be of information to the committee?

Mr. Strobhar: Yes.

STATEMENT OF WILLIAM J. HAMILTON.

The Secretary of the Treasury: Mr. Hamilton, you may state your full name and occupation?

Mr. Hamilton: William J. Hamilton, president of the First National Bank of Corona, a suburban bank of New York in Queens County.

The Secretary of Agriculture: Mr. Hamilton, have you thought much about this problem with which we are confronted?

Mr. Hamilton: I have thought it over; I have read the bill and thought it over to some extent.

The Secretary of Agriculture: Have you any views which you would care to give us as to where these banks should be located, especially any views with reference to this eastern section?

Mr. Hamilton: Well, I only considered the eastern section of the country because I am not so familiar with the western part of the country. I think that I would designate New York, Boston and Baltimore in the eastern section. I think that New York ought to have a moderately larger bank than some of the others; not to the extent that some would have it, to



include almost fifty per cent of the capital, but I think there ought to be some larger capital given to the New York bank than to some of the other banks.

The Secretary of Agriculture: You have not given thought to the general problem?

Mr. Hamilton: Not to the whole layout of the country. Of course I have considered it in regard to the three banks here on the east coast, and of course, took into consideration partially the designation of the other cities. But giving three to the East, you would necessarily give one to Chicago, one to New Orleans, one to the Pacific Coast, and one to St. Louis. That would make seven; three in the East, one on the Pacific Coast and two in the interior; and one at Denver.

The secretary of Agriculture: Is there anything else you care to say?

Mr. Hamilton: I do not know that there is.

The Secretary of Agriculture: Thank you, Mr. Hamilton.

The Secretary of the Treasury: Mr. Austin.

## STATEMENT OF MR. ROBERT B. AUSTIN.

The secretary of the Treasury: Mr. Austin, will you give your full name?

Mr. Austin: Robert B. Austin, President of the Queens County Trust Company.

The secretary of the Treasury: Have you given thought to this division of the country into not less than eight nor more than twelve Federal reserve districts?

Mr. Austin: I have to a certain extent, Mr. McAdoo . I am not in accord with some who have preceded me here recently. I do not believe that New York City should be made too large a central reserve. I think it would defeat the very purposes of the measure, which is to place the reserves of the member banks in the localities where they belong. For that reason I think Boston should be made a reserve city, because it has for years been the financial center of New England. And for the other reserve cities on the eastern coast, I think any large city that is a financial center and has become a financial center through its size and manufactures, should be a reserve city, even if you exceed the eight reserve cities. I think the object of this bill

and the object best to be attained by it, is to make it possible to create in the country other financial centers than those existing today, by the placing of the reserves of the banks in the locality where they can be used for the advancement of that locality.

The Secretary of the Treasury: Where, outside of Boston and New York, would you say that the other banks should be located? Have you given that thought?

Mr. Austin: I think Philadelphia should be a reserve city and either Baltimore or Pittsburgh; I could not determine between the two; New Orleans, ST. Louis, Chicago, Denver, and San Francisco.

The Secretary of Agriculture: You speak of keeping the reserves of the section where they belong and of the needs of the section. Just what have you in mind?

Mr. Austin: As I understand the effect of this bill, it is that the members of the regional bank will leave their reserves in that bank; and if New York is made too large a regional reserve center it will get the reserves from all the member banks in the region, and while it may temporarily be a hardship to New York City or some of the banks in New



York City, because of the loss of reserves which they now have, in my opinion it has for years been a fact that those reserves have been accumulated here and used for purposes other than the advancement of manufactures, and when the rest of the country called for that money, it was distributed to them and the pinch was felt here.

The Secretary of Agriculture: of course, to the extent that these reserves are called for by this new law they would disappear from existing banks and be transferred to these Federal Reserve Banks, any way?

Mr. Austin: That is true, but they would still be here for the use of this locality through rediscounts by the members. And then the suggestion made by one of the previous gentlemen that foreign exchange entered so greatly into it; if New York was made too large, it would perhaps do away with competition between large centers which are entitled to competition in foreign exchange.

The Secretary of the Treasury: we are much obliged to you, Mr. Austin.

## STATEMENT OF MR. V. SIDNEY ROTHSCHILD.

The Secretary of the Treasury: Mr. Rothschild what is it you had in your mind which you cared to present to the committee?

Mr. Rothschild: Mr. secretary, as one who has had a small part in the framing of this measure, I had certain views as to how it would work out. They may be somewhat theoretical as I am not altogether a banker; I am somewhat of a banker, a banker and broker. I have just this view of it: My interest was for New York City, and I felt that New York City should be somewhat of a different character of reserve city than the others, as it occupies a peculiar position of its own, and that position is a natural one, the same as the position of Berlin or Amsterdam or London or Paris. I do not believe that by any legislation you can take that position away, nor do I think it to the interest of the government to try to take it away. In other words --

The Secretary of the Treasury: Are you not proceeding on a wrong assumption, that anybody is trying to take anything away that naturally belongs to New York?

Mr. Rothschild: No, excepting that it seems to be the intention not to let New York be too large as relating to the other reserve cities.

The secretary of the Treasury : Well, that is a wholly unjustifiable <sup>inference</sup> because the committee has expressed no opinion and these hearings are for the express purpose of getting all the information we can, to enable us to form an opinion.

Mr. Rothschild: I quite understand, but my idea is to work in the other direction, to make it as large as possible. In other words, New York is to represent the foreign trade, perhaps, and all the other reserve cities --

The secretary of the Treasury: Concretely now, what do you think New York should embrace in the way of territory?

Mr. Rothschild: I think New York should embrace the whole East, excepting perhaps Boston, and my view would then be perhaps to have a bank more as a model bank in Washington, until we work out the workings of this reserve bank system. The Federal Board can change these reserve banks if they do not work out properly, and I thought as an experimental bank to have one in Washington, New York perhaps to be the only other one in the East, making it very strong in reserves, so that it could handle foreign trade business.

The Secretary of Agriculture: You mean to have two reserve



banks.

Mr. Rothschild: No, New York to be one bank -- oh, no, either, or in fact, nine. If you make New York particularly strong, I favor perhaps having nine. My idea was New York, Washington, New Orleans, Galveston, San Francisco, something in the Northwest, perhaps Spokane, or Portland, to handle Alaska, and the Northwest, and San Francisco to handle the Philippine trade and the extreme West, and Galveston perhaps to handle the Central American and extreme southwest and New Orleans to handle the middle South, and St. Louis and Chicago, one to handle the middle East and the other the middle West, giving us perhaps nine, but making New York the principal one.

The Secretary of Agriculture: Making New York relatively strong?

Mr. Rothschild: Yes. Here you have a natural reservoir which has created itself by its natural location, as Mr. Kent says, for important reasons, and there is no law that can take that away. Everything gravitates there. In Egypt in the old days, when they did not have the Assuan Dam, they had floods, and famine and drouth, and since they have had it, they have this natural reservoir and let out

their current of water as they need it. In the same way here, I think as the United States Government is going to control all these banks, I do not see how any preponderance is going to be harmful because they can rediscount, and you can draw away from New York if it gets too large a surplus. You can rediscount right in New York always.

The Secretary of the Treasury: Have you anything else to suggest?

Mr. Rothschild: If I might ask a point of information -- I do not know whether that is in order.

The Secretary of the Treasury: Well, the committee is seeking information.

Mr. Rothschild: A point of information.

The Secretary of the Treasury: I do not know whether we are in a position to give you that information.

Mr. Rothschild: As to how the gold situation will be handled, so that our people will know.

The Secretary of the Treasury: That is a matter for the Federal Reserve Board to deal with. The Organization Committee is not concerned with that.

Mr. Rothschild: There are so many of our friends here in

New York who are interested to know how that will work --

The Secretary of the Treasury: That is a matter for the Federal Reserve Board to deal with.

Mr. Rothschild: I might say further, if you will allow me a word more, my idea in naming these cities would be rather to gerrymander the district so that would meet with the reserve required by the Act to make them strong enough.

The Secretary of the Treasury: Thank you. The committee will take an adjournment till three o'clock.

Whereupon, at 1 P.M., a recess was taken until 3 P.M.



## AFTER RECESS.

## STATEMENT OF GEORGE C. VAN TUYL, JR.

The Secretary of the Treasury: Mr. Van Tuyl, you are the State Banking Commissioner of New York?

Mr. Van Tuyl: Yes, I am the Superintendent of Banks of the State of New York.

The Secretary of the Treasury: Are you familiar with the problem immediately confronting this organization?

Mr. Van Tuyl: I might say yes, in a general way.

The Secretary of the Treasury: We are charged immediately with the duty of dividing the country into not less than eight nor more than twelve districts, and the establishment of a Federal Reserve Bank at some convenient point in each one of those districts. The committee would be glad to have any suggestions or views that you may care to submit with reference to the most appropriate division of the country, or the most advantageous division of the country, and particularly that part of the country with which you are more especially concerned.

Mr. Van Tuyl: I think it essential that New York City should have one great big one. In that zone should be the

States of New York, Connecticut, Rhode Island and New Jersey.

The Secretary of the Treasury: Then is it your idea that Boston should be the reserve city for the remainder of the New England States?

Mr. Van Tuyl: Yes.

The Secretary of the Treasury: Where else would you place these banks?

Mr. Van Tuyl: I think Chicago is very essential.

The Secretary of the Treasury: That would be three?

Mr. Van Tuyl: I am not familiar with St. Louis, but it is a central reserve city at the present time.

In the far west, the State of Washington needs one very badly. Whether Seattle is too much on the Coast or not I do not know, or whether it should come back further, to a city like Spokane.

San Francisco is essential. How many have I got now?

The Secretary of the Treasury: You have named six.

Mr. Van Tuyl: One at New Orleans and one over in the Cotton Belt, in Georgia, right in there somewhere.

The Secretary of the Treasury: Would you suggest Atlanta?

Mr. Van Tuyl: Yes, Atlanta would be a good location.

The Secretary of the Treasury: Now what are you going to

do with Pennsylvania, Maryland, Virginia and West Virginia?

Mr. Van Tuyl: That being the case, I will put Pennsylvania in the New York district. It is a hard thing to divide the country up into just eight districts. Give me about two more and I think I could fix the whole business.

The Secretary of the Treasury: You may do that. You know we have the power to make it twelve, if necessary.

Mr. Van Tuyl: I am familiar with the Pacific Coast Northwest, and it is absolutely essential to have one Federal Reserve Bank in the State of Washington.

The Secretary of Agriculture: Have you had experience out there?

Mr. Van Tuyl: Not in the banking business, but I know the way the banking business is conducted out there, and the way the poor bankers have to keep their reserves in their vaults, a great deal more than is required by law. They have to do it to answer the needs of the business out there.

The Secretary of the Treasury: Would a Federal Reserve Bank at San Francisco, with branches at Seattle and Portland, or through that district, serve them sufficiently well?

Mr. Van Tuyl: Yes, possibly it would. You see there is not much banking business right around here in the Rocky



Mountain section. North and South Dakota and Nebraska and that region will naturally be tributary to Chicago.

The Secretary of the Treasury: Now getting back to Pennsylvania, if Pennsylvania and Maryland, and possibly Virginia, West Virginia and Delaware were in the same district, where would you consider that the Reserve Bank had best be located?

Mr. Van Tuyl: A branch should be established at Philadelphia, of the New York bank.

The Secretary of the Treasury: Not unless it was in the same district with New York.

Mr. Van Tuyl: Not unless it was in the same district.

The Secretary of the Treasury: No, they can only establish branches in the same district.

Mr. Van Tuyl: Oh, yes.

The Secretary of Agriculture: It is a little difficult to make the proper divisions offhand.

Mr. Van Tuyl: Yes, indeed it is. That being the case, if we could have branches, I would put Pennsylvania in the New York district, and everything down to West Virginia and Virginia, because the tendency of everything is that way.

The Secretary of the Treasury: You would get such a

preponderance of capital and resources in the New York bank that you would not have much left for the rest of the country.

Mr. Van Tuyl: New York is a pretty big town, and requires an awful lot of banking capital.

There is another thing that must be remembered. New York City serves pretty nearly half the United States as a depository of individuals. That has hardly been realized. All through these states, you may go as far west as Philadelphia, in small communities where there is no business or manufacturing, they all depend on New York City, not only as a depository, but for borrowing purposes as well.

The Secretary of the Treasury: As you understand, of course, the Reserve Banks are merely holders of the reserves of member banks.

Mr. Van Tuyl: Surely.

The Secretary of the Treasury: They are not banks of deposit, generally speaking.

Mr. Van Tuyl: Oh, I understand that.

The Secretary of the Treasury: And they are not intended to interfere with or to alter the normal courses of business or to revolutionize those things at all. They are intended to hold the reserves, and to re-discount the paper of the

banks, as well as to perform certain other functions. So that, being a depository of that character, the extent of the capital and resources of those banks is not so important as if they were engaged in the general banking business, and were standing alone as separate units.

Mr. Van Tuyl: Oh, no.

The Secretary of the Treasury: In that view of the case, and also taking into consideration the fact that these various units that may be established will be thoroughly coordinated through the Federal Reserve Board, and that for certain purposes their resources can be more or less availed of for the protection of the system, do you think it so important that the New York bank should be so preponderant as you suggested.

Mr. Van Tuyl: Of course, I am only looking at it in this way: No doubt the clearings of New York are enormous. The change of money is so enormous that when the emergency currency is required and required quickly, as it will be, there will be a bigger demand for it in the large centres than there will be over here in the parts of the country where population and business are not so concentrated.

The Secretary of the Treasury: There would be nothing in



the size of the New York bank and nothing in the matter of policy that would make it impossible for the member banks to draw their required currency so long as they could put up the eligible paper, the liquid paper required by the Act, and also maintain their necessary gold reserves.

Mr. Van Tuyl: There is probably more liquid paper in this section here than there is in the rest of the country, and when that comes in it will require a great big bank to take care of it.

The Secretary of the Treasury: Exactly, but if you exhaust the resources of the Federal Reserve Bank for that purpose, you can have recourse to the Federal Reserve Board.

Mr. Van Tuyl: Yes, that is true.

The Secretary of the Treasury: That is <sup>standing over</sup> <sub>issue</sub> and above the whole system, with the power to <sup>currency</sup> in times of necessity against this liquid paper, and these liquid assets, and that is one of the elements of strength in the new system.

Mr. Van Tuyl: But that does not change the fact that a larger bank will be required here than in San Francisco or up here in Dakota.

The Secretary of the Treasury: That is very true, and

that will automatically follow, no matter what your division of territory is, because the banking capital and resources of each Reserve Bank will have the relation of six per cent of the combined capital and surplus of the member banks, so it is bound to be in proportion.

Mr. Van Tuyl: Will that be large enough?

The Secretary of the Treasury: Well, that is a question.

The Secretary of Agriculture: With the reserves and Government deposits which heretofore, you know, except in a cursory way, have been withdrawn temporarily from circulation.

The Secretary of the Treasury: And in addition to that, the power which the Federal Reserve Board may exercise, I mean which may be exercised through the Federal Reserve Board, of obtaining circulation against their liquid assets.

Mr. Van Tuyl: Yes.

The Secretary of Agriculture: Your original idea was that New York ought to include Connecticut, Rhode Island, New York and New Jersey, and your difficulty arose from taking care of the rest of the country.

Mr. Van Tuyl: I believe that the size of a bank should be the banking community that it covers. Right in New York State alone our state institutions have one sixth of the entire banking power of the United States.

The Secretary of Agriculture: Where would your cities naturally come, to New York?

Mr. Van Tuyl: Yes.



The Secretary of the Treasury: You mean the entire state?

Mr. Van Tuyl: Yes.

The Secretary of the Treasury: Buffalo, Syracuse, Rochester and all those cities would normally come to New York?

Mr. Van Tuyl: Yes, sir.

The Secretary of the Treasury: And ought to be embraced within the district?

Mr. Van Tuyl: By all means. It has been the established custom, of course, and I think that business has sort of arranged itself in that way. I think it would be almost a hardship to make it otherwise.

The Secretary of the Treasury: We thank you very much, Mr. Van Tuyl.

STATEMENT OF MR. JAMES H. PERKINS.

The Secretary of the Treasury: You may state your full name, Mr. Perkins.

Mr. Perkins: James H. Perkins, President of the National Commercial Bank of Albany. Mr. Coggswell and myself are here representing the Albany Clearing House. We simply come down to go on record as requesting that we

be included in the New York District. We think that the commerce and the business of our part of the country is in the habit of dealing with New York, and that it would be very much more convenient, both for the banks and for the commerce of the state to come here than it would be to be included in any of the other districts.

The Secretary of the Treasury: Are your exchanges almost wholly with New York, Mr. Perkins?

Mr. Perkins: Well, we do a very large collection business in Albany. Albany is a reserve city, you know.

The Secretary of the Treasury: Yes, I know it is.

Mr. Perkins: And the Albany banks have made it a practice of collecting items all over the country, so that last year the three national banks of Albany put through items amounting roughly to between  $2\frac{1}{2}$  and 3 billions of dollars.

The Secretary of the Treasury: Do you collect those items without charge?

Mr. Perkins: We do without charge; we are paid through balances; of course we are paid for collecting.

The Secretary of the Treasury: But I mean there is no direct charge for collection.

Mr. Perkins: No direct charge, no. We are pretty familiar, of course, with all of New England and New York.

The Secretary of the Treasury: Where would you say that Vermont, for instance, and Western Massachusetts, should go?

Mr. Perkins: I should think that Western Massachusetts from Pittsfield would go better in the New York District than in the Boston District. I think the business comes to New York; but east of Pittsfield, I should think it should go to Boston.

The Secretary of the Treasury: How about Vermont?

Mr. Perkins: Well, Vermont is nearer New York. That is, for instance, if you put a branch in Albany, we will say, it would be much closer from Vermont than it would be to go across here to Boston. The railroad connection is more north and south than it is across the state.

We have felt that this whole district, including Western Massachusetts and perhaps Vermont, New York State, New Jersey and Connecticut --

The Secretary of the Treasury: You mean Northern New Jersey, I presume?

Mr. Perkins: Yes, probably so, I do not know. I have not talked with many of the New Jersey bankers, but those



I have talked with would rather be in the New York District than in some other district.

The Secretary of Agriculture: The western part of Vermont, you speak of?

Mr. Perkins: Yes; I should think Burlington and Rutland and those towns are all hitched on with Albany and New York, and come through that way, whereas Bellows Falls and White River Junction, etc. on the Boston and Maine Railroad, would run into Boston.

We also want to call the attention of the Committee to the fact -- I do not know whether you want to discuss branches or not -- we think we are pretty well located for a branch there. It is no particular advantage to us, but we are a central point and it is a good distributing place, and we thought we would simply call that to your attention while you are here.

The Secretary of the Treasury: Yes. The Organization Committee is not charged with that duty. However, we are quite willing to have suggestions about that. It is very good to have them in the record.

The Secretary of Agriculture: Does Mr. Coggswell desire to be heard?

Mr. Coggswell: Mr. Perkins has said all I would want to say.

STATEMENT OF MR. HENRY CLEWS.

The Secretary of the Treasury: Mr. Clews, we understand you want to be heard, and we would be very glad to hear from you now.

Mr. Clews: I sketched out a little plan with reference to the designation of all the eight banks which it is proposed to have, and I would like to treat them as a whole, if you will permit me to.

The Secretary of the Treasury: Certainly.

Mr. Clews: It will take but a few moments. The new law has much to commend it, Mr. Secretary, and it is as perfect a piece of legislation as could possibly be obtained under existing circumstances and conditions. With amendments later on, I consider it a great step forward in sound constructive financial legislation. It will do much towards disarming public hostility to the so called Money Trust, for such a thing in the future will be impossible, and the gain from classification of public opinion will be immense.

In dividing the country into districts, I would suggest

the fewest number possible, which is eight. These might be New York, Boston, Baltimore, New Orleans, Chicago, St. Louis, Omaha and San Francisco. This number is fully as large as should be permitted, to start with, in my opinion.

The Secretary of Agriculture: Will you give those cities again, Mr. Clews.

Mr. Clews: New York City, Boston, Baltimore, New Orleans, Chicago, St. Louis, Omaha and San Francisco. And I will give you the reasons why I have designated these different cities.

This number is fully as large, also, as should be permitted to start with, I think. The greater the number of regional banks, the weaker some must be, and the greater the opportunity for friction and local jealousies. Concentration will strengthen the national banks for meeting emergencies, and facilitate prompt action.

New York naturally possesses a big preponderance of banking power, the result of its great commercial and geographical advantages. New York is the Nation's gateway. New York is the Nation's clearing house, since more than one half of the bank clearings of the entire country are made in this City. Nevertheless, there is no reason



for apprehension or prejudice regarding the undue influence of New York in the Reserve Board, because only about one seventh of the national bank resources are held in this city. The proportion of state banks and trust companies is probably much about the same. It is essential that as little hindrance as possible should be placed upon the free movement of banking facilities,

a further argument for creating as few regional banks as possible .

The point next in importance to New York should be Chicago, which comes second in banking power and clearing house activities. Chicago should certainly possess large banking facilities, for the reason that the handling of the crops, to a very large extent, falls upon that point.

Boston probably ranks next to Chicago as a banking center, and would very likely be largely dependent upon for taking care of the New England District.

Philadelphia and Pittsburgh are hardly entitled to selection, and would better come under the District of New York.

Washington has been named as a point of selection,

but is objectionable because too much exposed to political influences, and it is a non-commercial city.

Baltimore would be a much better selection, inasmuch as it could cover everything between the New York District and New Orleans.

New Orleans, of necessity, would be a most important point, not only on account of its rapid commercial growth, but also because a large proportion of the cotton crop must be financed at that point.

St. Louis and Omaha are worth naming as regional centers, for similar, though less pronounced, reasons, as Chicago. *Seven*

San Francisco is, of course, pre-eminently the banking center of the Pacific Coast. Doubtless the rival cities of Los Angeles and Portland would like representation, but this is objectionable for the reason that a multiplication of banks would promote friction and lessen that easy flow of banking facilities which is absolutely necessary to efficient working of the new law.

I need hardly add that for a successful outcome much depends upon the character and ability of the men who are to serve upon this Board. The compensation is not

large, and men will have to be found who will be glad to serve for honor sake. There has been no lack of such men found for the Supreme Court and other appointive positions, and though such men are difficult to secure, they can undoubtedly be had for the searching. That is all I have to say.

The Secretary of the Treasury: We thank you very much, Mr. Clews.

The Secretary of Agriculture: Mr. Clews, do you think the section from New York to Baltimore, can be taken care of by banks at those two ends?

Mr. Clews: I do, indeed.

The Secretary of Agriculture: Have you compared the banking power of the newer communities, like Dallas and Fort Worth, with New Orleans?

Mr. Clews: No, I have not. I have not gone into the details. I have great confidence in our Secretary, and his associates, to determine those questions, and therefore, I have not prepared myself to talk on those points. I have nothing more to add to what I have said. I think that covers the ground, if you will permit me to close with that. I am much obliged for the privilege of ap-



hearing before you, Mr. Secretary.

The Secretary of the Treasury: Not at all. We are much obliged to you.

Are there any other gentlemen who desire to be heard now? If not, the Committee will close the hearings in New York, and the next hearings will be in Boston.

(Whereupon, at 3:32 P. M., the hearing was adjourned to meet in Boston Friday, January 9th, 1914.)