

STENOGRAPHER'S MINUTES

THE RESERVE BANK

ORGANIZATION COMMITTEE.

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

vs.

At Boston, Mass.

Date January 9 & 10, 1914.

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HEARING AT BOSTON, JANUARY 9 and 10, 1914.

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Boston, Mass., January 9th, 1914.

The Organization Committee met pursuant to adjournment at
10:00 A. M.

Present:

The Secretary of the Treasury.

The Secretary of Agriculture.

Appearances:

Boston Chamber of Commerce:

A. R. Coolidge, Jr., President
Boston Chamber of Commerce.

E. G. Preston, Treasurer,
S. B. Pierce & Co., Grocers.

Hugh Bancroft, Chairman,
Directors of the Port of Boston.

O. M. W. Sprague, Professor,
Banking and Finance, Harvard University.

Mr. George Abbot Brown Bros., and
Mr. Farnsworth of Kidder Peabody & Co.,
on Foreign Exchange.

Boston Clearing House Association:

T. P. Beal, President,
Second National Bank of Boston.

W. A. Gaston, President,
National Shawmut Bank of Boston.

G. P. Blinn, Jr., Vice-President,
National Union Bank of Boston.

Massachusetts Bankers' Association:

**G. P. Blinn, Jr., Vice-President,
National Union Bank, Boston.**

**Alfred L. Aiken, President,
Worcester National Bank, Worcester.**

**J. F. Sawyer, Cashier,
Union National Bank, Lowell.**

**H. M. Batchelder, President,
Mechanics National Bank, Salem.**

**H. G. Townsend, President,
Fitchburg National Bank, Fitchburg.**

N. E. Shoe & Leather Association:

**J. F. McElwain, of W. H. McElwain & Co.,
C. C. Hoyt, of Parnsworth Hoyt Co.
L. A. Coolidge, Treasurer, United Shoe Machinery Co.**

**Henry L. Higginson,
Lee Higginson & Co.**

**John J. Martin, President,
Exchange Trust Co.**

**B. A. Kimball, President,
Mechanics National Bank,
Concord, N. H.**

**A. M. Heard, President,
Amoskeag National Bank,
Manchester, N. H.**

**Mr. Taft, President,
Mechanics National Bank,
Providence, R. I.**

**Mr. Lucien Sharpe,
Brown & Sharpe,
Providence, R. I.**

**W. H. Brackett, Cashier,
Peoples National Bank,
Brattleboro, Vt.**

**F. W. Adams, Cashier,
Merchants National Bank,
Bangor, Maine.**

**George A. Curran, President,
International Trust and Banking Co.,
Calais, Maine.**

**Nathan D. Prince, Cashier,
Windham County National Bank,
Danelson, Conn.**

**George W. Goss, Cashier,
First National Bank,
Lewiston, Maine.**

**John K. Bates, President,
First National Bank,
Portsmouth, N. H.**

**Fred P. Partridge,
Home National Bank,
Holyoke, Mass.**

**H. W. Stevens, President,
Hartford National Bank,
Hartford, Conn.**

Hon. David I. Walsh, Governor of Massachusetts.

Hon. John F. Fitzgerald, Mayor of Boston.

Hon. Josiah Quincy, Ex-Mayor of Boston

Congressman Mitchell.

Congressman Thacher.

Congressman Phelan.

Congressman Curley.

Hon. Thomas J. Kenney, Candidate for Mayor.

Mr. F. W. Hansfield, State Treasurer.

Mr. E. W. Stevens, Former State Treasurer.

Mr. Frank H. Pope, State Auditor.

General Charles H. Taylor, Publisher Boston Globe.

Representative of Boston Post.

Representative of Boston American.

Mr. Clarence W. Warren, Publisher, Boston News Bureau.

Mr. Charles B. Strecker, Publisher, Financial News.

Boston Real Estate Exchange:

P. H. Viaux, Sec'y-Treas., Boston Real Estate Exchange.

Holyoke Board of Trade:

Mr. James Parfitt, President, Holyoke Board of Trade.

Mr. F. E. Partridge.

Mr. S. A. Mahoney.

Mr. H. E. Allen.

Springfield Board of Trade:

Fall River Chamber of Commerce:

Robert C. Davis, President, Fall River Chamber of Commerce.

Lynn Chamber of Commerce:

Henry R. Sprague.

(NewPort (N.H.) Board of Trade:

Mr. Samuel D. Lewis.

Mr. Parley A. Jackson.

The Secretary of the Treasury: Mr. Coolidge.

STATEMENT OF J. R. COOLIDGE, JR.

Mr. Coolidge: Gentlemen of the Special Committee, we welcome you gladly here to Boston, and thank you for the careful planning of your journey that leads you to visit the several regions of the country that have claims upon a regional bank. We are confident that your committee will bring in no minority report; and you will excuse me if I seem to assume in advance the decision that we unanimously hope you will reach.

We have taken it for granted that in establishing not less than eight regional reserve banks, one of them would be situated in Boston. I do not, however, propose to make any argument. I wish to thank you for honoring us with your presence and to assure you that the speakers who come before you will present the case fully, convincingly, I trust, and concisely.

I welcome you again and thank you for coming. (Applause)

The Secretary of the Treasury: Mr. Coolidge, and gentlemen. On behalf of the Committee I desire to thank you cordially for your very hearty greeting and to say that

it gives us a great deal of pleasure to be here. I desire also to thank you very heartily for the courtesy of the Chamber in placing these rooms at our disposal while we are here.

I may say, in this connection, that the purpose of the committee in visiting the different sections of the country is to elicit such additional information as we can get which will shed light upon the problem confronting the Committee. Under the Federal Reserve Act we are required to divide the country into not less than eight nor more than twelve districts, and to select the location for the headquarters of each Federal Bank within those districts.

I think there is an impression that only one bank will be located in each district. Now that is true so far as the headquarters banks are concerned, but it is not true in another aspect of the case. These banks are permitted to have branches, and through that machinery it is expected that these facilities will be placed at the disposal of all parts of the district, so that the banks in every part of the respective districts will be within easy reach either of the headquarters bank or some one of its branches.

Now we quite understand the local pride which prompts

the various cities to enter into friendly contest for the headquarters of these banks. At the same time, gentlemen, this is a broad and most important economic problem. It is not a political problem, it is an economic problem. This Committee is not on a political expedition, we are not on a junket; we are here for business, and we intend to deal with this proposition in a strictly business fashion. If I may be permitted to say so, I think we have arrived at a point in this country when the people are anxious to have these problems dealt with in a thoroughly business-like and straightforward fashion. The purpose of the committee in making this trip is to bring the facilities of the committee into convenient access to the people of the country, so that we can expeditiously and as conveniently as possible for all the people, acquire knowledge of their views and desires and their economic conditions.

Now, gentlemen, there are a great many here to be heard and who wish to be heard. The time at the disposal of the committee is necessarily short. We expect to close these hearings tomorrow at twelve o'clock. I want to ask you if you will not kindly address yourselves and the information we shall ask for to the questions which the committee may

I do not know that any oratory is intended; I am doing most of it myself, it seems, and I think I ought to cut it short; but we want information more particularly as to the courses of exchange and of business transactions in this section of the country. We know Boston's commercial importance. We do not need to be informed about that. We do want to be informed about the general conditions existing in New England; what part of the territory of New England will be best served, for instance, by the location of a headquarters bank in Boston, whether some part of it should go to New York, or whether any part of it should go to New York, if a Federal Reserve Bank should be established there. That is the chief point upon which we desire information.

Will you permit me to rise to a question of personal privilege, as they say in Congress. My attention was called yesterday to an editorial in a Boston paper, and which seemed to be a repetition of a statement which had appeared the previous summer, and to which my attention had not been before directed, in which the statement was made that I had said that I favored the Tariff Bill because it would "get" New England. Now I should like to say with as much emphasis as I can command, that nothing could have been

more foreign to my thought than such a statement. And I would have more contempt for myself than any citizen could have for me, if I felt that I was capable of making such a statement.

In the first place, any man who assumes public duties owes a duty to the entire country, and certainly, as far as I am concerned, my only desire in public life is to benefit, so far as any labor I may expend, the entire country without reference to any section. (Applause)

As a matter of fact, three years ago I had the opportunity to appear before the Boston Chamber of Commerce, which honored me with an invitation to speak, and I took advantage of that occasion in concluding my remarks to express the very great and unstinted admiration which I have always entertained for the people of New England, not only for their achievements, but for their history and the great part they have played in the development of our great and beloved country.

STATEMENT OF J. RANDOLPH COOLIDGE, JR.

President of the Boston Chamber of Commerce.

Mr. Coolidge: Mr. Secretary, I am only going to take a moment of your time. In order to demonstrate that fact I am going to stand while I speak: and while not attempting to instruct the Committee in regard to the commercial importance of New England, perhaps in the four or five minutes which I shall occupy, I may be permitted simply to present the points of view which we have.

I should like first just to remind you that in this little section of New England, composing two per cent of the area of the United States, there is seven per cent of the population and 14 per cent of the productive ability of the country. That it is not a declining ability, I should like to illustrate by calling your attention to the figures of the four great industrial districts of the country, New York, Chicago, Philadelphia and Boston, during the last five years, the percentages of which are in order, New York 32 per cent increase, Chicago 20 per cent increase, Philadelphia 16 per cent increase, and New England 29 per cent increase.

While the manufacturing industry is not the full measure of

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the banking necessities or requirements of the district, it does point out somewhat its commercial greatness.

May I just say a word with regard to our three great industries, cotton, woolen and boots and shoes, the production of which in the entire country is about \$500,000,000 each annually, and of which New England produces more than 50 per cent each.

When you consider that ours is an old settled portion of the country, and that our industries were developed many years ago, is not this a rather surprising statement?

Take for example the cotton industry itself. You are aware, gentlemen, that there has been a great development in cotton manufacturingⁱⁿ the South, but I think it will surprise you when I say that whereas the increase in cotton manufacturing for the country at large has been 39 per cent, the increase in New England has been 42 per cent. The very general feeling has prevailed that the increase in the South has been at the expense of New England. Such is distinctly not the case.

With regard to wool our increase has been 40 per cent, while that of the country has been 34 per cent.

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Our other great industry, boots and shoes, is more striking even than these two. Here is an industry which has been springing up all over the West and Northwest, in order to get nearer the raw material and the distributing markets, and yet, while the increase of the country has been 42 or 43 per cent, we have maintained a uniform increase of 34 per cent.

I mention these things merely to point out the importance-- the growth of New England and also the commercial importance of New England,-- as perhaps one of the bases upon which we ask that a regional bank shall be located here at Boston.

We believe that a regional bank for New England, located at Boston, will serve the interests of New England, far more satisfactorily than a branch of the New York regional bank would do.

The fundamental theory in the minds of the people who produced this legislation, it seems to us, was that the sections of the country have divergent requirements, which can best be served by the location of a regional bank conveniently located in the center of the district, managed by local people who are familiar with the industries and the

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various inter-related branches of the business.

We submit that that condition, which we believe was in the minds of the people who made this bill, exists to a peculiar degree in New England. Here we are, off by ourselves, a geographical entity, with common interests, and possibly a common language, the Yankee dialect.

Our interests are inter-related, our money is invested mainly in certain prominent and highly technical lines, lines which we know are thoroughly understood in the commercial and banking businesses of Boston and of New England, which are almost unknown outside.

Take cotton for example. The scores of mills in New Bedford, Fall River, Lowell, Lawrence, Manchester and Nashua, are known root and branch in Boston, and in great part are utterly unknown in New York or elsewhere. That is true of the boot and shoe industry, and it is true of the woollen industry.

To illustrate that, and to show the importance of this technical knowledge, you may remember Mr. Secretary and gentlemen of the Committee, that about 15 years ago New York tried to supply its lack of information regarding wool paper by the establishment of a wool bank, officered by men

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competent to pass upon wool paper, with especial reference to obtaining the Boston business, as it was then declared. The effort was a dismal failure. Boston continues to be the great wool market of the country.

There is another thing I should like just to refer to, and that is that Boston has never been financially dependent upon New York and is not now. Its industries were created and developed and have been built up by Boston brains and Boston capital. We wish emphatically to express the opinion that the Boston reserve district should include the whole of New England, in order to furnish the proper basis of banking resources for a regional bank at Boston, which would then be one of the large banks of the country, perhaps third or fourth.

That is all I have to offer, Mr. Chairman, in presenting the case (applause).

STATEMENT OF HUGH BANCROFT?

Chairman of the Port Directors of Boston.

The Secretary of the Treasury: Mr. Bancroft, will you permit me to say that I think the Committee would prefer to

H. Bancroft.

pursue its own method of eliciting this information, because our time is so short in which to hear the 75 people who desire to be heard here. We will just have to elicit the particular things that we want to know about it.

Mr. Bancroft: In order to indicate the line of questions that I desire to ask, I may say that, appearing for the Chamber of Commerce, I am Chairman of the Directors of the Port of Boston. That might indicate the line on which I could furnish you with information which you may desire.

The Secretary of the Treasury: Have you something prepared that you want to submit?

Mr. Bancroft: There were two matters bearing upon the port that I should like to refer to very briefly.

The Secretary of the Treasury: Suppose you proceed, and then if you have any special data, we will be glad to have it filed and made an exhibit to your remarks. You may remain seated if you prefer to do so.

Mr. Bancroft: As the President of the Chamber of Commerce has suggested, I will be brief if I stand.

The Secretary of the Treasury: Please do not understand that there is any unwillingness on the part of the Committee

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to hear you.

Mr. Bancroft: We understand, I think everybody here understand the limitation of time; but in view of the powers and contemplated functions of the regional banks in facilitating or conveniencing foreign commerce, we wish to bring briefly to your attention the present situation.

As the president of the Chamber of Commerce has presumptuous enough to suggest it, I will express also the same suggestion, that in view of the provisions of the Act that there shall be at least eight regional banks, I think that neither Mr. Coolidge nor I are very bold in suggesting that the City which is the third in the country as to bank clearings and fourth as to bank deposits, is the natural selection for one of the eight or twelve, unless there are some very overwhelming reasons to the contrary; and that in view of the provision that the location of the district shall refer to the natural subdivisions of the business of the country -- I do not attempt to use the exact language of the Act, but that is the idea -- unless some very good reason is shown to the contrary, New England should be the district of such a bank.

Now bearing upon that, from the particular point that in-

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terests me as speaking for the Port, a very serious effort is being made, and up to the present time with gratifying results, to furnish at Boston a second international port comparable with New York, and to close up the tremendous inequality that has hitherto existed.

At any rate two years ago the State of Massachusetts started a policy of liberal appropriations for developing the port here. In two years the result has been the increase of the total foreign commerce of the port from \$220,000,000 -- if include in the figures a large amount of Canadian in transit business that it ^{is} ~~is~~ ^{is} ~~is~~ -- to \$235,000,000 the first year and \$260,000,000 the second year.

I am speaking of these things in order to emphasize the importance of the convenience of the banks and the commercial interests of the territory being properly subserved, and the importance of having a bank as strong and as large as possible in order to assist in this very important movement which we believe will grow here.

In 1912 there were 19 trans-atlantic lines out of Boston, and five lines to nearby foreign ports, the Canadian ports and the West Indies, and 11 coastwise lines from all im-

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portant points between Eastport and Jacksonville.

In the year 1913 just past there have been fourteen either entirely new lines or lines that have materially improved their service. Six entirely new trans-Atlantic lines came here. Three trans-Atlantic lines ^{very much} bettered their service here and one of the nearby foreign lines has much improved its service. There have been two new coastwise lines, one actually operating and the other ready to operate through the Panama Canal, both coastwise lines to the Pacific and two coastwise lines very materially improved.

I speak of that as an indication of what it is reasonable to expect in the next few years as to the commerce of the port of Boston, and refer to the figure of \$280,000,000 as the foreign trade of the port, of which the financing is either done here or might most advantageously be done here.

STATEMENT OF OLIVER M. W. SPRAGUE.

The Secretary of Agriculture: Professor Sprague, you are familiar with this Act?

Mr. Sprague: Yes, I have given attention to it.

The Secretary of Agriculture: And with the problems

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confronting the Committee?

Mr. Sprague: I think so.

The Secretary of Agriculture: We should be very glad to hear your views as to the division of the country, and especially as to this section of the country, ^{and} as to the desirability of establishing a bank in this section.

Mr. Sprague: There would seem to me to be two questions to be settled in determining the location of regional banks, and the relative size of regional banks; first, the general working of the system taken as a whole, and secondly the service which could be rendered to the particular regions into which the country may be divided.

If I may, I should like to consider very briefly the latter problem first, and then go a little more into detail into the problems relating to the general working of this system of regional banks.

I believe if a regional bank is established in Boston it will serve the business of the community better than a branch of a New York Regional bank, because of the special nature of many of the New England industries, requiring therefore on the part of bankers special knowledge.

There is a provision in the bill that regions shall be

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determined with due regard to normal business convenience. How business convenience in this connection may be divided into the service which may be rendered borrowers, and secondly service in connection with exchange and making payments.

We can take the existing business conditions and the requirements of borrowers as fixed. That will not be greatly changed as the result of the working of this Act.

Methods of making payments will be vastly changed. At the present time it is true that New York Exchange is a far better and more satisfactory means in making settlements between banks than exchange on any other city; but under the working of this system, the exchange on any city which has a regional bank will be throughout the entire country exactly as good as exchange on New York. This is because under one of the provisions of the bill all regional banks are bound to take at par checks on every other regional bank. Therefore it will make no difference to a bank in New England where its balances are. Many banks in New England find that the course of payment is now such that they have to provide their customers with an enormous amount of New York Exchange, and naturally feel that they would like to be connected with a New York regional bank, and that would be the case if this system were

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to make no change whatever in the method of making payment; but under this system a bank which finds that there is steady stream of payment to be made in New York. will find, and so will its customers find that checks and drafts on Boston would be just as good a check as checks on New York.

This is my reason for holding that in considering the division of the country into districts, it is not necessary to give any particular attention to existing methods of making payments between different parts of the country.

There is one special reason in connection with the services to be rendered by the regional bank in connection with exchange and payments for setting up a regional bank in Boston.

We already have developed here through the Boston clearing House an arrangement under which checks upon any bank deposited in all the various Boston banks are gathered together and sent in bulk to the bank on which they are drawn. This business here and throughout the country will increase; whether handling it all entirely through regional banks, or working in conjunction with clearing house organizations, time will tell; but it is clear that the Boston regional bank can take over their business or develop it far more readily than will be possible in any other part of

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the country. The result here will be almost at once available as a sort of object lesson for the managers of regional banks throughout the country.

Now I will turn to the question of the working of this system, and try to indicate certain considerations which it seems to me should be taken into account in determining the location of the regional banks.

I am inclined to think it will be found that there are three classes of regional banks. One class of regional banks will be serving communities in which the local banks have funds quite sufficient to meet all the requirements of their locality, and have regularly a surplus in addition. That is more clearly the case with New England than with any other part of the country. A regional bank here in Boston will have less serious problems confronting it than a regional bank anywhere else, for the reason that the local banks, with their own resources, will be able throughout the year to supply local requirements, and it may be expected that local banks in this part of the country, to even a greater extent than at present, will lend to other parts of the country, either by purchase of commercial paper or by direct loans to banks in other parts of the country.

It is to be presumed that the regional bank in Boston

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will on the average find conditions such as to enable it to maintain a steady and comparatively low rate of discount,

There are other parts of the country in which local resources of the banks are ordinarily sufficient to meet local requirements, but are not quite sufficient at certain periods of the year. In these sections of the country the regional banks will very likely fill up the deficiency, although in a measure it may be met by the investment of banking funds from other sections of the country, as New England.

Then there are other sections of the country in which the resources of local banks are regularly insufficient to meet all of the ordinary requirements of business borrowers. In these sections of the country the regional bank will have to be managed with a great deal of care, because there will be pretty constant pressure upon them from local banks for rediscounts.

Now, it is impossible so to divide the country as to give each regional bank territory which will possess all of these different characteristics. In order to accomplish this it would be necessary to divide the country by banks, putting some southwestern banks and some New England banks into

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one regional organization. That is obviously out of the question. These differences in sections exist, and are bound to manifest themselves in different conditions which will have to be met by managers of the various regional banks.

Now it has been suggested that this system might work better if in the northeastern part of the country there was one enormously large bank, a bank which would include New England, New York, New Jersey and presumably Pennsylvania, and perhaps a few states still further South. An arrangement of that sort would seem to be going counter to the whole spirit and principle of this legislation, and moreover it would seem to me likely to prove unworkable in places.

Inasmuch as there must be eight regional banks, the more you concentrate in one, the smaller on the average the other seven must be, and inasmuch as it is in the rest of the country chiefly that you find those conditions in which the local banks are unable regularly to supply the entire demands of borrowers, you would be setting up comparatively

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weak institutions, just where they need to be most strongly buttressed and most carefully managed.

The contention has been made that it is necessary to have an enormously large bank in New York, because New York is the financial center of the country and because the strain in any emergency comes upon New York. It is perfectly true that that has been the case in the past. Under our system surplus funds have largely drifted to New York, have been employed in a considerable measure on the call loan market, and again because New York Exchange has been better than any other exchange, a very large amount of commercial paper negotiated through note brokers-- which is the kind of assets banks are apt to liquidate when subject to strain, has been possible in New York. Consequently, both through the liquidation of call loans, the payment of commercial paper and the withdrawal of bank balances, New York has in the past been subject to an exceedingly severe strain, more strain than it could withstand.

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But under the provisions of this bill the strain which New York will be subjected to in the future will be vastly less than it is at the present time, partly because Chicago and St. Louis and Boston exchange will be just as good as any exchange. Commercial paper will not to such an extent be payable in New York as at the present time. Call loans will not be the most liquid assets which banks can hold, and therefore it will not be through the contraction of call loans that banks will seek to secure additional funds. New York will doubtless remain the central money market of this country under any system of banking, but it will not be subject to any such serious strain as has been the case in the past.

The Secretary of the Treasury: You think, in other words, Mr. Sprague, that the operations of this system will tend to restore or create a greater normality of exchange than the present system, as I understand you; that these various regional banks, when once established, would tend to establish more normal courses of exchange in the country.

Mr. Sprague: In the past, all banks throughout the country have carried considerable working balances in New York because of the necessity of providing New York exchange to

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facilitate business in all their different localities, But if Boston exchange becomes just as good as New York exchange, or Chicago or St. Louis exchange becomes just as good as New York exchange, there will be no particular necessity for having those balances in New York, no such great necessity. They will doubtless be found there, but relatively they will be less important than at present. And for all these reasons, when there is an emergency in the future, it will not be so severely felt in New York as it is under our existing system.

Let us suppose, for example, that there is a regional bank in the southwest; that the member banks down there have lent to about the full limit of their resources; that there have been considerable demands on the regional bank in that section. Presumably the regional bank then would advance its rate, and the rates down there would be rather higher than they are here in New York, and about Boston, for the time being. Then in all probability there would be a considerable amount of borrowing on the part of the southwest in this section of the country. But if later, these New England loans were canceled, the strain would not necessarily fall on New York as is the case under our existing system.

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Now if New England made loans to the south for the time being, and then decided to cancel those loans, as a matter of fact the drain would come upon New York; southern bank balances in New York would be reduced in paying New England; but the southern banks would borrow in New York, and having arrangements with New York banks about the size of the balances which the southern banks carry there, the New York banks would be obliged to take over these loans which New England was liquidating.

Now that is not going to be the situation under the working of this bill. Consequently, New York is not going to be a subject in the future, even if we have periods of severe strain, to such a drain as has characterized the past working of our banking system.

The Secretary of Agriculture; Another point, Mr. Sprague. It has been contended that we ought to have a bank of dominant power in New York to create respect among European bankers for the system in this country. Would you say something on that point?

Mr. Sprague: That was the point I was coming to next. The bulk of foreign exchange business of this country goes through New York, and doubtless the bulk of it will continue

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to go through New York, although the growth of the business in Boston of late years has been very satisfactory and may increase somewhat relatively in the future. But it will still be true that the bulk of the business will go through New York. And it has been argued that on that account and in order to establish effective relations with foreign banking institutions, it is necessary to have the bank in New York of imposing size.

I think that this contention is based upon a very dangerous assumption. It is based upon the assumption that these regional banks are going to get themselves into such shape that they will absolutely need foreign assistance from time to time. It is a perfectly feasible thing for a small country to rely for funds with which to meet strain upon a larger country. Belgium, for example; the Bank of Belgium carries comparatively small amounts of cash, but holds very considerable amounts of foreign bills on Paris and on London; and in case of strain in Belgium, some of these holdings are liquidated and a few million pounds more or less, which can be withdrawn from Paris and London without disturbing these markets appreciably, when brought to Belgium, a small country, have a pronounced effect.

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The United States, however, is in banking resources vastly bigger than any single European country. What we should need, if we were in straits and needed funds from the outside, would be so enormous in amount that Europe simply could not provide it. They would set up arrangements and would obstruct the movement of funds.

I hold that these regional banks must stand upon their own bottom, either singly or as a whole; that they must have sufficient funds to meet any ordinary drain of gold; that they ought to be in position, if international exchange is against us, to see fifty or sixty million dollars go out of the country without being at all disturbed. This should remain a free market for gold. It would be wholly undesirable, it seems to me, to adopt some of the obstructive methods which have been adopted by central banks on the Continent of Europe to keep gold from going out. The reason they have adopted those arrangements very largely is that they are endeavoring to conduct their banking business upon too small a gold foundation. Unless we are going to become dependent upon Europe for funds with which to meet occasions of financial strain, it does not very much matter whether this bank is imposing or not. If these banks are

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well handled, and they have a sufficient stock to supply such gold as may be taken out when exchange is against us, the size of the bank will make very little difference. It is not necessary for the regional bank in New York to do any foreign exchange business. The Bank of England does no foreign exchange business whatever. It influences foreign exchange rates by raising its rate of discount, and so also may the New York bank influence foreign exchange rates by an advance in the rate of discount/ But the size of the bank is, in this connection, of no particular importance.

The Secretary of Agriculture: To what extent should you look to any particular bank to discharge that function, or to the system as a whole, through the Federal Reserve Board?

Mr. Sprague: That would, I think, depend upon how the regional banks are handled. I look upon the Federal Reserve Board's functions as chiefly restraining functions. If the regional banks are well handled, I do not believe that the Federal Reserve Board will find its duties very arduous. If, however, the regional banks are managed with a lack of conservatism, or if they begin to work at cross purposes with each other and struggle for gold among each other, as the Continental Central Banks at times do, then I think

the Federal Reserve Board would have very much to do.

The Secretary of Agriculture: Mr. Sprague, have you tried to map out the country?

Mr. Sprague: I think that it is practically impossible for any individual to map out the country very effectively. My impression would be that there should be at least three banks in the eastern states, from Maine to Florida, on the assumption of eight banks. If there were to be twelve banks, I should think there ought to be four banks in these eastern states.

The Secretary of the Treasury: On the assumption of eight, where would you put the three in the Coast states?

Mr. Sprague: I should put a bank in Boston and I should put a bank in New York, and I should prefer not to designate the third city (laughter). I am not sufficiently familiar with the relations of people in business and the course of payments and so forth in those parts of the country, and with the railroad map. I think certainly there would be a bank in Chicago and one in St. Louis and one in San Francisco. But the area which troubles me as much as any is the northwest. I should not suppose that it would be very convenient for Seattle to be in with San Francisco, although I am not

sufficiently well informed to be sure of that. And it would seem to me that there might be a convenient arrangement to have one from Minneapolis running out to the Pacific Coast. The regions served by the Great Northern and the St. Paul extension, and the Northern Pacific seem to me, although I am a rank outsider, to be a unit. But I do not feel qualified to express an opinion that has very much value about the exact location of all of these banks.

The Secretary of Agriculture: Are you prepared to say what territory the bank should include, if it were established here?

Mr. Sprague: It should clearly include, I think, Maine, New Hampshire, Vermont, Massachusetts, Rhode Island, and I should think it might include the greater part of Connecticut. That, however, would be contrary to the present desires of a good many Connecticut bankers. But I am inclined to think that that is because of a failure to recognize and see that under the workings of this bill, Boston exchange will become, for every purpose, as good and as useful as New York exchange. With a branch situated in Hartford, I should think that the banks of Connecticut would be as well served in the matter of handling of checks and in all the

various payments that they have to make between different parts of the country, if connected with Boston as they would be if connected with New York.

The Secretary of Agriculture: Have you made up any figures as to what the strength of a bank here would be, including that territory?

Mr. Sprague: Some of the other speakers are going to take up that matter.

The Secretary of the Treasury: Mr. Sprague, I gathered from your observations that you do not attach such great importance to the foreign aspects of our trade and commerce as determining the position of these Federal Reserve Banks.

Mr. Sprague: I do not. Consider this case: Throughout the last 15 years, as before, we have had no organized arrangement for influencing or manipulating foreign exchange rates, and yet we have acquired a very considerable part of the new gold which has been produced during the last 15 years. We are not in any danger from lack of gold in this country at the present time, even though we have been working without any organized system for checking or effecting gold movements. And in fact, what these European central banks accomplished as the result of their various

devices is to simply to modify over a short period of time the course of exchange. It is not possible through anything that the central banks of European countries can do to prevent gold exports or indeed gold imports, except over short periods of time. They make the rates sufficiently attractive so that foreigners will lend in the market on short time paper for three months, and perhaps with renewals for six months; but even then, if the course of payments is generally against them, and these notes mature, it is necessary for the gold to go out. Now the European banks do need to handle this exchange situation with very great care, because most of them are working upon a wholly inadequate gold foundation, and the temporary withdrawal of fifty millions of dollars from most of them is a very disturbing factor. Now these regional banks might get down in their reserves, and especially in their gold, to a point at which the withdrawal of fifty millions from the country would be seriously disturbing.

Take a case in point, of a monetary sort, in the early nineties, when we were purchasing as much silver month after month. Then the withdrawal of thirty or forty millions of gold was disturbing, because we had an inadequate

gold foundation for our money structure. Similarly, if we have an inadequate gold foundation for our credit structure, the withdrawal of forty or fifty million dollars will be disturbing, and we shall have to resort to all sorts of devices in order to check, so far as possible, gold exports. But I hope that we shall not conduct these institutions on any such basis. And in fact, on the continent of Europe they are retracing their steps; they are seeking now to build up the gold reserves of the various central banks, in order to have a more solid foundation for their gold structure. If the Bank of Germany doubles its gold reserve, as is planned, they will then be able to look with much more equanimity upon the fluctuating movement of gold than they have been in the last few years.

The Secretary of the Treasury: Under the system as proposed, Mr. Sprague, assuming that the question of gold movements is one of so much importance, as some of the bankers who have testified seem to think, is it not a fact that under the machinery of this bill that we are in a much better position to protect our gold reserves or influence the movements of gold, than we are under the existing system?

Mr. Sprague: Unquestionably.

The Secretary of the Treasury: And we have not been embarrassed by the movements of gold within the past 20 years, even under our present inadequate machinery for influencing those movements.

Mr. Sprague: No. Our troubles have altogether been of domestic origin in this country. We have over-extended credit at times in connection with domestic operation. But I recall no instances in our economic history, with the possible exception of 1890, and that was a comparatively mild affair, when the foreign situation has been a factor of primary importance in causing disturbance in this country.

The Secretary of the Treasury: Adverting for a moment, Mr. Sprague, to the territory which you think should be made contiguous to a Federal Reserve Bank if one is located in Boston, you included the whole of Vermont and Massachusetts. Now the contention was made in New York that half of Vermont, that is, the northern half, and half of Massachusetts, the western half, as well as at least one-half of Connecticut, should normally be attached to the New York district, I mean to preserve normal conditions. Do you regard that as having any force?

Mr. Sprague: I do not. I think it is a natural view to

take, partly for the reason that some 10 or 12 years ago charges were imposed on check collections both in New York and in Boston, on checks drawn on banks outside of New York City and New England, with a few other points, I believe. The result was that banks, especially in the west of Massachusetts and in northern New England, established relations with banks in Albany and Philadelphia, and Boston has, in a measure, lost connections with these outlying parts of New England. But so far as those connections are absent, the absence is due, so far as I know, to the exchange situation in connection with the handling of checks, and that will be entirely changed under the operations of this bill. I cannot see how it will inconvenience the people in Western Massachusetts or Western Vermont to be linked up with the Boston system.

The Secretary of the Treasury: Well, you have undoubtedly touched upon one of the most important aspects of this problem here, when you refer to the fact that under the bill the checks of these different Federal Reserve Banks will pass current throughout the country at par, which will of course, materially alter the existing methods of exchange; I mean the exchange as between the Federal Reserve Banks.

Mr. Sprague: Yes, I regard that as one of the very most important features of this bill.

The Secretary of the Treasury: Exactly, and to that extent it will tend to create perfectly normal conditions of exchange as against what is in some measure, under the present system, an artificial system.

Mr. Sprague: Yes.

The Secretary of the Treasury: For instance, take the City of Albany, New York. The President of their Clearing House, I think it was, appeared in New York and he said that because of the advantages which Albany offered in the matter of check collections, that they had very large clearances at Albany, for the reason that many banks whose business is utterly unrelated to Albany used the facilities of the Albany banks, because it was profitable and advantageous to do it, but that it did not reflect a normal course of exchange. And some of the banks in the country offer abnormally high interest rates to attract country bank accounts and create an abnormal condition. For those reasons, I judge from your remarks, you feel that the contiguous territory to these Federal Reserve Banks is not to be determined wholly by the present clearances and

exchange situations nor wholly by geographical considerations.

Mr. Sprague: Exactly. I should think that we are going to have largely a new slate, so far as exchange and making settlement between banks is concerned, and therefore in determining what the normal course of business is, I should have regard rather to the character of the occupations, the knowledge likely to be needed on the part of the management of the regional bank; whether a given territory like northern Vermont would be in its re-discounting operations served better by a regional bank in Boston than by a regional bank in New York. Now that is a matter bankers will not present very clearly to you, because they have not been accustomed to re-discounting very much. The one thing the banker has in mind, outside of cities, seems to be the matter of handling checks and exchange, and that is what he thinks of when he talks about the normal course of business, and it seems to me, that you are apt to get an excessive amount of attention upon that subject.

For instance, two or three Chicago banks have developed, in competition with each other and for the sake of getting country bank balances, accounts through most of the country. They have offered these banks par lists and absorb exchange,

which is charged by a great many banks. They have not handled this business on its merits as a purely banking matter, excepting the handling of checks. They have simply thrown that in as a douceur in their competition for obtaining country bank balances. You might find from one point of view the normal course of business would bring pretty nearly the entire country into the Chicago district, but it is simply this course of business, of handling checks, which has been largely absorbed by a few Chicago banks in their eager competition for bank balances. I do not see how it is possible to attach any weight to existing methods of making settlements between banks in determining regional areas.

The Secretary of the Treasury: Do you attach more importance, Mr. Sprague, to the homogeneity of the territory than to the diversification of the country in the arrangement of these Federal Reserve districts? I mean under the system as planned, not less than eight nor more than twelve regional banks.

Mr. Sprague: It would be desirable, I think, to get a considerable diversity of occupation, and also a considerable difference as regards the available bank resources,

relative to demands for their use; but I do not see how that is altogether possible because -- well, take the Pacific Coast, I suppose that there is rather more accumulation of surplus capital, in a sense, in California, than there is in the State of Washington, because Washington is a newer part of the country and its development is more recent. Something, therefore, might be said for uniting California and Oregon on that ground, that you would get a part of the country that is perhaps growing as rapidly as any other part you can imagine, in which the demand for capital is far beyond the supply, and California would be the area nearest it in which there has been already a considerable accumulation of local capital. But still if you take all the area from west of the Mississippi River and south of the Ohio, and it is pretty true all north of it, the local resources are not ordinarily sufficient to meet existing capital requirements, and I do not see how it is possible to get away from that. Therefore, I think that we shall find that the problems confronting different regional banks will differ enormously one from another.

The Secretary of the Treasury: Is that problem so important, that diversification of territory, in view of

the fact that these units which we are establishing here are thoroughly coordinated through the Federal Reserve Board, and that through ordinary interests they will, of course, have transactions between themselves that will enable one unit to transact business with another?

Mr. Sprague: Yes, I think it is reasonable that a section like New England should reap the ordinary advantage from its position as a part of the country in which local capital is in excess of local requirements. It is natural and proper and normal that in such a territory interest rates should be rather lower than in a rapidly developing part of the country. Under an effectual organization of these regional banks there may be an inter-regional borrowing, to which you refer, but I think there will be a great deal more member bank borrowing between districts, on account of the operations of this bill, and if there is a considerable amount of that, inter-regional bank borrowing will become comparatively small.

As if there was a bank in New Orleans, and there are surplus funds in New York and the Boston regions, if the member banks take a good deal of paper from about New Orleans, then the demands on the New Orleans regional bank

will be smaller than would otherwise be the case, and they will not be so likely to need to borrow from other regional banks. I expect it will work out that way.

The Secretary of the Treasury: precisely. There is not anything in the structure of the new system which is going to interfere with those normal processes between member banks. As a matter of fact, the organization of this system is designed to create additional facilities and not to be exclusive of those which now exist.

Mr. Sprague: The member banks might employ funds that way to a much greater extent than at present, because they can always go to their own regional banks for re-discounts. Let us say the rate around New Orleans is six per cent, and the rate in Boston is four and a half per cent. A Boston bank might very well take on a considerable amount of New Orleans paper, if it considers it good. That might force the Boston bank to re-discount something or other, that paper or some other paper with its own regional bank, but it would re-discount it at four and a half per cent. Under the present system the Boston bank would very probably put such surplus funds over into New York, being carried by some of the big New York banks, or it would be employed on call.

This system is going to make it feasible for banks with surplus funds to tie up those funds, if you please, in loans to other parts of the country, because they can re-discount with their own regional bank, and for that reason I do not anticipate that there will be any considerable amount of regional bank borrowing.

The Secretary of Agriculture: I was just going to ask you, Mr. Sprague, to what extent you think the banks in those sections where there are seasonal demands would also resort to the Federal Board directly for issue of notes on assets?

Mr. Sprague: I should expect that that would be the case; but the heavier demands are likely to be for deposit credit, I am inclined to think.

The Secretary of the Treasury: For some time to come?

Mr. Sprague: For some time to come. In fact, the improvement of this system is going to lessen the demand for cash. In the past, in connection with crop moving, an amount of money has gone out from the large financial centers, variously estimated at from \$75,000,000 to \$200,000,000. By no means all of this additional amount has been used. Returns of the national banks from year to year, taking them as a whole, never show a reduction as between midsummer or autumn, of more than \$50,000,000, but there is under our existing system a transfer of funds. A bank in Oklahoma, not knowing just how much cash it is going to need in September, but knowing that it will need more than usual --

The Secretary of the Treasury: And being afraid it may not

get it?

Mr. Sprague: And having its reserve thousands of miles away, naturally falls far more than it is at all likely that it will use.

In the future, when this system is in working order, and when banks will be nearer the source of supply of additional funds, they will not be likely to draw from the centers more cash than is needed from day to day or from week to week. So I do not anticipate that the reasonable requirements will make necessary a very considerable issue of notes by the federal ^{Reserve} Bank to the ^{member} regional banks, but the possibility is there and the possibility is of very great value. People will sleep better o' nights if they know that they can get it, if they need it.

The Secretary of the Treasury: If they need it, they will know that the relief is there?

Mr. Sprague: Yes.

The Secretary of the Treasury: We thank you very much, Mr. Sprague, for appearing before this Committee (applause).

STATEMENT OF W. D. HIGGINS.

Mr. Higgins: It has been stated that fools rush in where

angels fear to tread.

The Secretary of the Treasury: Will you please come forward from the back part of the room, so that you can be more readily heard.

Mr. Higgins: I do not know if you care to have any extended remarks from me at the present time. As I say, it has been stated that fools rush in where angels fear to tread. There is no danger of my being mistaken for an angel, but I have formulated a plan by which the districts in the United States are laid out. At the proper time I shall be glad to present it if you care to have me.

The Secretary of the Treasury: Do you care to present it in writing, or do you care to be heard from, Mr. Higgins? If you have it in writing we will be glad to receive it. We have many such suggestions, and if it is a statistical, perhaps you had better submit it in writing. We shall be very glad to have it.

STATEMENT OF CLARENCE W. BARRON.

The Secretary of the Treasury: Mr. Barron, will you please state your occupation and business connections?

Mr. Barron: I have many occupations, but for the purpose of this hearing, I am a financial reporter in three cities, Boston, New York and Philadelphia.

Mr. Chairman, I thank you for this opportunity. I thought it would save a little time if I should read what I have to suggest, and then perhaps you may wish to interrogate me. The purpose of the Federal Reserve Act is the decentralization of the national bank reserves and the establishment of other financial centers supporting commerce by commercial discounts.

The reserves and the gold are only means to that end. The essence of the Act is the re-discount feature which is specifically limited to commerce.

Boston is the first centre in the United States for commercial paper because it is the one market in the United States in which commercial paper is sold every day in the year. In the volume of commercial paper handled it is, of course, second to New York.

There are only three large open markets for commercial paper, Boston, New York and Chicago, and the larger note brokerage houses are in all three.

These houses place in New England six hundred millions of commercial paper per annum, and it is estimated that 90% of this is with national banks.

As this paper will average to run four months, these figures mean that the leading note brokerage houses maintain with the national banks in New England continuously two hundred millions of loans on commercial paper.

The total loans of the national banks in New England are about 520 millions. The majority of these loans are commercial, so that taken in connection with the state banks and trust companies there is here a market steadily holding six hundred millions in commercial paper.

The regional reserve bank for New England, centered in Boston is, therefore, in the purpose of this act your primary, your first and your essential regional reserve bank.

The total of loans of all reporting banks in New England, including savings banks, as shown in the Comptroller's report just issued, is \$1,800,000,000, about one third of which is probably commercial loans, so that we see the thing balances from both sides.

Boston and New England rank first in the United States in savings per capita of population and this is reflected in the lowest discount rates in the country for short term maturities. In no other section of the country can cities and towns

borrow locally so cheaply in anticipation of taxes. In no other section of the country are local mortgage loans at so low an interest rate.

The purpose of the Federal Reserve Act is to give commerce the benefit of surplus funds. No where else outside of New England are funds for short term notes so steadily accumulated in volume to be available for commerce.

That is the essential point of what I wish to say.

The Secretary of the Treasury: Then, Mr. Barron, you do not believe in the theory that New England should be made a part of the New York district?

Mr. Barron: It cannot be made a part of the New York district under the purposes of this Act, because you want to gather up the savings of New England, which go into short term notes in cities and towns which give you a low rate of interest on deposits, at banks, lower than other sections of the country. You want to take that supply for commercial purposes, to support commerce. Salem and Lynn and Portland and Providence do not know and will not know in the future names in New York endorsing bills and acceptances.

The Secretary of the Treasury: I asked the question simply because I want to bring out the argument. The New

York view of it is that a branch in Boston would accomplish all of the purposes you have in your mind. Now, I just wanted to have you lay emphasis upon your argument against that, if you care to present it.

Mr. Barron: It cannot do it, because the names on your acceptances and commercial paper here in Boston will be local and will command local capital. Boston money does not, and neither does New York money ~~which~~ flow to London to take the discounts that are there offered, and it will be some years before London money can be commanded into the New York and Boston markets. ^{It} ~~It~~ is the local market for discount that you want, that knows the local conditions and the local markets.

The Secretary of the Treasury: When you speak of New England as attached to Boston, what territory have you in your mind?

Mr. Barron: That it seems to me is your essential problem? There is a section of Western New England that is naturally tributary to New York. That section is Hartford, New Haven, and the western part of Connecticut, west of the Connecticut River. There might also be in the western part of Massachusetts a district tributary to New York; that is

possibly a New York country too, but it is not so commercial. Lenox and the Berkshires are possible New York territory, but that is a small business and not a commercial business. Western New York, west of Massachusetts, is politically, commercially and in transportation attached to cities like Springfield, Holyoke, and Pittsfield. Pittsfield is the natural centre for Lenox.

The Secretary of the Treasury: How about western Vermont?

Mr. Barron: Western Vermont is almost negligible. It is a small district, and its commerce can either run here or to New York, but it naturally belongs to New England.

The Secretary of the Treasury: Would you care to express an opinion about other sections of the country, as to the territorial divisions or location of the reserve banks?

Mr. Barron: For the purposes of this Act your three essential banks will be Boston, New York, and Chicago, because there are your commercial discounts.

The Secretary of the Treasury: How about the other five?

Mr. Barron: That is your difficult problem.

The Secretary of the Treasury: Can you shed any light upon that?

Mr. Barron: I will. When you have developed the purposes of this Act in its extension the usefulness of the other

five will be as check collection agencies and in the performance of functions similar to the passage of mails through the post office. The reserves in the other five cannot amount to a great deal unless you can have a local commercial discount market to support them. Neither can there be reserves of any moment as respects those. Their function will be as clearing houses to serve their localities, and act as economic check collections. Each will serve the country in its district and that will be one of the great purposes of this Act, in helping your commercial and serving for check collections. In this respect the future of this Act will be similar to that which is done in Germany, where the collections are made through the post office and the Reich Bank, with its five hundred branches, so that any merchant in Hamburg or Dresden or any other part of Germany having a bill maturing, even if he has discounted that bill, at 4-1/2 or 5 per cent, will re-discount it within ten days of its expiration with the Reich Bank, at a higher rate of interest, their rate being six per cent. That is simply in order to get the free collection. It is put to his credit immediately on that day, whether it is due in Baden or Frankfort, and therefore the government through the Reich

Bank performs that office for him and lifts from commerce the burden of collections. That will be the essential thing to consider in the establishment of your five other banks, or as many as you please to make. But your essential point in federal reserves and commercial discounts are the three cities which I have mentioned.

The Secretary of Agriculture: Have you fixed the other points in your mind tentatively?

Mr. Barron: I have a general view.

The Secretary of the Treasury: What is that? Let us have the benefit of it.

Mr. Barron: Probably it would differ from other people's. It is only an individual view.

The Secretary of the Treasury: We are taking all the views we can get.

Mr. Barron: I think Washington should be one of the Federal Reserve cities, because I hold primarily that the banks are made for the people and not the people for the banks.

The Secretary of the Treasury: Washington would make four.

Mr. Barron: Washington is a growing centre, an educational centre, and the whole people who get instruction and educa-

tion, and the bank itself, being somewhat of an experiment in collections, which is essential for the minor regional reserve banks, you will get very great instruction at Washington from establishing this bank there. It can readily cover the Southern States. I think Washington is preferable to Atlanta, and you would have to determine in time whether Atlanta would be a point for a second bank. But the whole Southern Atlantic Coast might readily go into Washington. You would have to confer with the Philadelphia bankers, to see whether Philadelphia, which is less than five hours from New York, cares for a bank, or what its situation will be when these collections are eliminated, which as Professor Sprague has said, pass abnormally through Albany and Philadelphia. Of course if you should establish a bank in Philadelphia it should cover Pittsburgh and reach into Eastern Ohio.

The Secretary of the Treasury: It is your idea that Philadelphia might be attached to the Washington bank if one is established in Boston?

Mr. Barron: It does not naturally go that way. Washington should cover the country south and Philadelphia either stands by itself with Pennsylvania, or goes to New

York.

Of course I have already spoken of Chicago. I do not think it is essential to have a reserve bank midway between New York and Chicago, either at Cleveland or Detroit. St. Louis, of course, is a centre. I do not think Denver is the place for a reserve bank, but that would depend on the matter of check collections.

Of course there should be two on the Pacific Coast. That makes seven. Now the only other point it seems to me is the question whether New Orleans would serve Texas and the Gulf States better than St. Louis; and there I should say you would have your eight.

STATEMENT OF THOMAS P. BEAL.

The Secretary of the Treasury: Mr. Beal, you are the president of the Second National Bank and also president of the Clearing House Association of Boston, I believe.

Mr. Beal: I am the president of the Clearing House association and chairman of the Clearing House Committee.

The Secretary of the Treasury: You know the problem confronting the committee of dividing the country into not less than eight nor more than twelve regional districts,

and the establishment of the bank in each one of those districts. We shall be very glad to have your views on that subject and particularly with respect to the New England situation.

Mr. Beal: If I may I would take the liberty first of presenting the resolutions adopted by the Boston Clearing House at their meeting which they held on the 2nd of January, 1914. Those resolutions read as follows:

"Resolved, that this Association believes it desirable that New England be made a Federal reserve District, with a Federal reserve Bank located at Boston; and

Resolved: That the President of this Association, with two other members to be appointed by himself, be a Committee to appear before the Reserve Bank Organization Committee and urge the expediency and wisdom of forming such a Federal Reserve District with a reserve Bank located in Boston."

The only other points that occur to me in this connection are that as all the reserve banks are joined together, and as the Reserve Board is in Washington, with power to issue the currency that may be required in times of need, it is not as necessary for the business men of Boston and New England to associate themselves with a necessarily large

bank as it would be if there were no such means of getting relief when it is asked for.

Of course, in common with a great many others in the East, we believe in the first place in a large, central, strong bank; but with this power to obtain relief from Washington through the Federal Reserve Board, where this currency board is to be made, it seems to me that great argument of being connected with a large and strong institution loses a great deal of its force. It therefore has seemed to me that the power to select members who would be better acquainted with New England credit and more closely in touch with such credit which we should have, with a reserve bank in Boston, is a very important consideration. I understand that six of the directors out of the nine would be chosen by the member banks, if a reserve bank was located in Boston. They would have a vote in this selection, whereas if we simply have a branch of New York, we have no choice in the selection of the seven directors to be chosen in that bank. It seems to me that is a very strong argument why we should have a Federal Reserve Bank here in Boston.

The Secretary of the Treasury: What territory do you think should be attached to or served by the Boston

bank?

Mr. Beal: The resolution of the clearing house calls for all of New England.

The Secretary of the Treasury: I know, but I would like to get your view as to what should be done with western Vermont, Massachusetts and Connecticut?

Mr. Beal: I think Western Vermont is so small that it makes very little difference.

The Secretary of the Treasury: Whether small or not it ought to be attached to the reserve bank where its business and commerce will be best accommodated, so however small we want to give it consideration. With your knowledge of the business transactions and commercial intercourse of Boston with Vermont, what would you say should be done with all of Vermont or the western half of it?

Mr. Beal: Being a Boston man, I should naturally think it would not be to its disadvantage to be associated with Boston.

The Secretary of the Treasury: Apart from being a Boston man, and looking at the merits of the proposition, which is the important question we are considering, where should it go for its own benefit and the advantage of its own commerce

and industry?

Mr. Beal: I do not feel I am quite able to answer that question.

The Secretary of the Treasury: How about western Massachusetts?

Mr. Beal: I think western Massachusetts can very properly be associated with Boston.

The Secretary of the Treasury: Do you think it would be more advantageous commercially and industrially to have it attached to Boston than to go to New York?

Mr. Beal: Equally advantageous.

The Secretary of the Treasury: How about the whole of the State of Connecticut?

Mr. Beal: certainly east of the Connecticut River there is no reason why it should not be attached to Boston, and I think the remarks of Professor Sprague as to the course of exchanges after this new system is introduced, are a very good reason why western Connecticut should be attached to Boston.

The Secretary of the Treasury: Would you think that under any circumstances western Connecticut should be attached to

Boston?

Mr. Beal: I think in view of what Professor Sprague said, I think it should be attached to Boston.

The Secretary of the Treasury: I thought you were referring to the eastern part of Connecticut?

Mr. Beal: No.

The Secretary of the Treasury: You were referring to western Connecticut also?

Mr. Beal: Yes. I think in view of what Professor Sprague said that western Connecticut should be attached to Boston.

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

STATEMENT OF ALFRED L. RIPLEY.

The Secretary of the Treasury: Mr. Ripley, what do you represent?

Mr. Ripley: I am vice-president of the Merchants' National Bank. I am also a member of the committee chosen by the Clearing House Association, to which Mr. Beal has referred.

The Secretary of the Treasury: We should be very glad to have your views on the problems that we are considering.

Mr. Ripley: I will take up only one or two points. So

many have been well considered that there is no need of elaborating them further. There are two, however, that I do not think have been touched on in form, but which seem to be of distinct advantage for you gentlemen to consider.

In the first place, you should consider the character of New England business, particularly the character of the New England loans. We do certain businesses here which are almost unknown in the other states, notably in New York where we should probably have our reserve city if we did not have it here in Boston.

I will cite particularly the whole leather industry, beginning with the tanning of the hide, and going through until it is made up into shoes. That is essentially a New England industry, and New York knows but very little of it.

In that industry there is a good deal of credit asked for and given, and we think we know something about their credits. At times we have received rude shocks, but at the same time we ought to know something about it as a matter of good business.

Take again the course of the wool trade. The wool

trade in Boston is distinctly peculiar. New York knows nothing of it. New York undertook at one time to set up the business of dealing in wool through the instrumentality of a warehouse, but that did not succeed. Boston is the largest distributing centre in the country for wool going to manufacturers.

Another thing is our cotton business, and that perhaps is about the biggest thing we have in the amount of capital required.

Most of our cotton mills are required at times to buy money. Being large consumers of cotton and cotton coming on the market only at certain times in the amount and quality they require, they borrow money to make such purchases. Most of that money is furnished by New England, a great deal of it by Boston, a large part by Providence, and a great deal by interior New England towns, but most of it by New England. A large part of that paper is well known to us, more than in New York, and a great many mills, notably in Fall River and New Bedford, are known here and in Massachusetts, and in Providence, but are not known in New York City.

There it seems to me is a very important argument for

having a reserve bank in Boston. If that paper is handled in New York, it will be less well known, less wisely handled by them, with reference to the reserve bank and with reference to the community.

If it were handled here through a branch, the officers of the branch necessarily will not have as close connection with our manufacturing industries, and as intimate a knowledge of our credit, as they would have if they were directors chosen on the spot. So much for that point.

The second point I have in mind is this : I anticipate that sooner or later the federal reserve Bank will have to consider the question of performing one of the very large functions of the banks, that is to say effecting exchanges of credits. New England some years ago embarked on a new system through the instrumentality of Boston, under the direction and encouragement of our Boston Clearing House. We have an arrangement whereby other banks in New England may send their checks here, may collect their checks through Boston, they being returned directly to the bank, the remittance being made directly to the Boston Clearing House. That is the reason I make this point, that this has given rise to a distinct course of business through New England.

The matter of check collections has been handled in that way.

The Secretary of the Treasury: free collections?

Mr. Ripley: Free collections in case they are free to us. The system is briefly this: The Boston Clearing House undertakes to collect the checks, and gives the time and labor free. If the bank remits at par, no charge is made. Otherwise a charge is made corresponding to the charge made by the bank.

As I was saying, that system is one which we have developed which covers the whole of New England. It binds New England together, and it gives New England a certain entity that is real.

That being the case, it seems to me that if a regional reserve bank is established here in Boston, the question of handling the volume of New England checks is very simple. There is a large amount of practical experience to be drawn on at once. If on the other hand, that is handled through New York, the method is going to be changed; and something entirely different devised, so that there again is a reason for setting up a regional reserve bank in this city.

Now, if the Committee will pardon me, I have one more thing to say that may savor of a little bit of local

pride. There is nothing egotistical about it, and it is the result of a perfectly honest belief.

I believe that Boston feels that it should have some voice in the developing of this whole reserve system, a far larger voice than it would have in case it were simply a branch of a reserve bank located in New York. If there is a bank here, the district has a member of the advisory council, and the number of men in this vicinity who will be interested in the conduct of its affairs will be far larger. I simply cite one thing in the past as showing that possibly Boston's banking experience has been beneficial to the country, and that is the development of the old Suffolk banking system of check collecting.

I think frankly that Boston ought to have as much weight in the development of this new system as it would have if there were a regional bank located here, and that those in charge will find it helpful in doing so.

The Secretary of Agriculture: Would you include all of New England?

Mr. Ripley: If I may reply I would say this: If I should say you ought to include all of New England, I should probably hurt the feelings of some very good friends who I think want

to go to New York; and at the same time I think they are really mistaken in their judgments, and that if I could sit down quietly with them and take them apart, we would come nearly together. I have a great many friends in Hartford and New Haven. New Haven was my home for many years, and I know that the men there and in Bridgeport and Waterbury would feel that the course of business trends naturally to New York; but I still believe they would be just as well served in every respect if they were connected with a Boston Federal Reserve Bank as with a New York Federal Reserve Bank, and that they will have very much more voice and influence in the direction of affairs there, and think they are entitled to it.

The Secretary of Agriculture: You do not attach great importance to the contention that has been made that a Federal Reserve Bank here in Boston would not be strong enough to do much good?

Mr. Ripley: In explanation may I give a rather homely figure that occurred to me the other day, which seems to cover that point?

The Secretary of Agriculture: We shall be glad to have it.

Mr. Ripley: The contention of the gentlemen who were

after a Federal Reserve Bank having we will say 60 per cent of all the resources, dividing the other forty per cent among the remainder of the Federal Reserve Banks, seems to be something like this: Supposing I had ten dollars in each of ten pockets; if I gathered 50 dollars into one pocket, leaving four pockets bare, I would be no richer thereby unless it were possible that I could not get into one pocket. As I understand it -- I may be wrong, but from what the gentlemen have said, I am sure I am not wrong -- the main object of the Federal Reserve Board is to coordinate the Federal Reserve Banks, make them help one another and to do their duty by one another and not stand out as isolated independent entities perhaps competing violently and struggling with one another. I must say the argument for size seems to fall to the ground entirely.

The Secretary of Agriculture: I do not remember the figures as to the amount of banking capital and deposits here in this section, but in the country at large, in the national banks and savings banks the capital and deposits have doubled in 13 years. We go through a sort of industrial revolution about every 15 years, as to the amount. It is probable that a bank here would be very much larger in the

course of ten or fifteen years.

Mr. Ripley: We have been a thrifty community and have saved. There are certain things that have happened of late perhaps to lessen the amount of savings we can put by, but I should think that was reasonable.

The Secretary of the Treasury: As bearing upon the size of these banks, and in relation particularly to the contention that a preponderant bank should be established in New York, I understand you to say that by reason of the provision of the bill that these units shall be coordinated effectively through the Federal Reserve Board, you do not attach much importance to that contention. Now there is still another feature which has an important bearing upon that, and that is the power of the Federal Reserve Bank to draw currency from the Federal Reserve Board upon their liquid assets. The fact that that power does reside in the Federal Reserve Board makes each one of these units stronger than would otherwise be the case. Is that or not in your judgment an additional reason why a larger number of independent units all being as nearly equal as possible, would be desirable?

Mr. Ripley: I would a little rather answer your question

with reference to this unit. As to this unit I feel perfectly certain that whatever its size, it will be amply competent to take care of the wants of this territory.

The Secretary of the Treasury: But we have to consider the problem as a whole, and these units must of necessity have a relation to one another. Therefore I ask the question with reference to the entire problem, because it has a very decided bearing upon the action of the committee.

Mr. Ripley: Would you mind giving me that again?

The Secretary of the Treasury: My point is simply this, that it is not so necessary to have one preponderant bank. The theory upon which it is asked that there should be a preponderant bank in some one locality, particularly in New York, is as has been suggested, that that bank should control forty to fifty per cent of the available capital and resources of the country. I say that argument becomes less important, does it not, in view of the fact that these several units are co-ordinated by the Federal Reserve Board, and that in addition to the strength which that gives them, they also have the power to get currency from the Federal Reserve Board itself in time of need. Therefore the units may be more equal in size throughout the country

than would otherwise be the case?

Mr. Ripley: That is, the power to get currency is an additional safeguard for the small unit? That is what you mean.

The Secretary of the Treasury: It is an additional resource which the small unit will be enabled to avail itself of. I have rather stated it in the form, not so much of a question as a fact, to elicit your view about that.

Mr. Ripley: I think that is so. You cannot spread that over 300 small communities.

The Secretary of the Treasury: Not at all. I am speaking, of course, with reference to the number of banks provided in the bill. We need not indulge in academics here, because our powers are very well defined.

STATEMENT OF MR. R. C. DAVIS.

The Secretary of the treasury: You may state your full name, Mr. Davis, and your occupation?

Mr. Davis: My name is R. C. Davis. I am president of the Chamber of Commerce of Fall River.

The Secretary of the Treasury: Are you a banker?

Mr. Davis: I am not a banker.

The Secretary of the Treasury: Kindly state your business as well, please.

Mr. Davis: My business is of a large number of things, interested in the development of the city; cotton manu-

facturing, more particularly; and I am interested in banking as well, but not particularly a banker. I represent a commercial organization which is somewhat similar in its description to the Boston Chamber of Commerce, of the City of Fall River, which bears to the cotton industry possibly the same degree of importance that some of the cities in the north of Massachusetts and in the central part bear to the woolen industry. Notwithstanding the very splendid competition of the south, the southern part of Massachusetts and the nearby portion of Rhode Island today control as many spindles in the operation of the manufacture of cotton cloth as the entire south. The city that I represent operates today four million spindles of cotton machinery with a capital of about \$37,000,000 invested in the industry, manufacturing a billion yards of cotton goods a year, and with an investment in finishing concerns of about \$20,000,000 which in turn finish about 1,500,000 yards of cotton goods every week.

The result of all this is, gentlemen, that the city needs considerable banking capital. It has banks with an aggregate capital of \$5,000,000. Its clearings amount to about \$63,000,000 a year. Geographically and naturally,

its association has usually been with Boston. It has associations with New York as well, but it depends to a large degree upon Boston for its financing, so that naturally when the question of the establishment of a bank such as you gentlemen are considering comes up, it appeals to us as being very important that a regional bank should be located in Boston, because if later it seems essential and important, there is no reason why branches of that bank could not be established in other places throughout New England. We believe also that the bank should have as large an area to cover as possible, so as to give it as large an importance as possible.

I quite appreciate the question you asked Mr. Ripley, and it is quite pertinent, I have no doubt, but if at the same time under the present administration, we must expand our trade -- I refer to the new tariff -- to foreign shores, we shall have to have banking facilities of greater amount than we have had in the past. We hope to be able to do so, but to a considerable degree it must depend upon the banking facilities that we can command. So that as a result of all this, we firmly believe, and I think that other section of Massachusetts, New Bedford, which is a very

large cotton manufacturing centre, as well, and that section of Rhode Island which lies immediately close to Massachusetts, agree that this is all important to us! That with this new currency requirement, that a bank as large as practicable, including Connecticut, Rhode Island and the rest of New England should be, if possible, established in Boston. Our affiliations are so close and so good, we feel we have got such advantageous considerations in our financial operations heretofore, that there is no reason why we should not continue in the future. Boston knows our paper and knows the character of the concerns back of it, which it would take years to build up in New York. So that speaking generally, practically all these concerns that have their business located in that part of the state, are dependent upon Boston for their financing. I thank you. (Applause.)

STATEMENT OF CHAS. P. BLINN, JR.

The Secretary of Agriculture! Will you state your name, Mr. Blinn, and your business connections?

Mr. Blinn: I am Vice-President of the National Union Bank of Boston, and I appear here in my capacity as president of the Massachusetts Bankers Association.

A

Chas. P. Blinn, Jr.

The Secretary of Agriculture: Mr. Blinn, you know the problem that we are trying to study here?

Mr. Blinn: I do.

The Secretary of Agriculture: We should be very glad to have your views on any aspects of the problem you care to consider.

Mr. Blinn: Shall I wait for Secretary McAddo?

The Secretary of Agriculture: No, it will all go in the record, and he will be back in a few seconds.

Mr. Blinn: As President of the Massachusetts Bankers Association, I addressed this communication, which I will not read, but which I will leave a copy of, to the various banks and trust companies, members of our organization, 190 all told:

"Boston, December 30, 1913.

To the National Bank and Trust Company members
of the Massachusetts Bankers Association:-

The "Federal Reserve Act" provides that the Secretary of the Treasury, the Secretary of Agriculture and the Comptroller of the Currency acting as "The Reserve Bank Organization Committee" shall divide the United States into at least eight but not more than twelve districts.

and shall designate a city in each of said districts in which there shall be organized a "Federal Reserve Bank".

The Committee has announced that it will hold hearings in Boston on January ninth and tenth next to determine whether or not a Federal Reserve Bank shall be organized in Boston.

This Association will be represented at said hearings but, as there seems to be a difference of opinion among bankers as to whether New England should have a Federal Reserve Bank in Boston or should deal through the Boston branch of a Federal Bank to be organized in New York City, it is important that the opinions of our members should be obtained.

You are therefore requested to indicate your preference by signing the attached slip, returning the same in the accompanying envelope.

Please give this matter your immediate attention so that the views of the entire state may be presented to the committee.

Very truly yours,

CHAS. P. BLINN,

President.

(should)
In our opinion a Federal Reserve Bank(should not) be
organized in Boston.

(Bank) _____ (President

(Signature) _____ (Cashier.)"

I received 110 replies. The purpose of the letter was to get the opinion of our members as to whether they would prefer to deal with a regional bank to be organized in Boston, or with a regional bank to be organized in New York City. I received 110 replies; 82 replies favored Boston and 28 replies favored New York.

An analysis of that vote fails to reveal that the 28 votes favoring New York came from any particular section of the state. The votes were scattering. As it has been thought by some people that the western part of Massachusetts would favor New York, the poll of that section of the state may be interesting. Taking the cities in the Connecticut Valley and the cities and towns west of the Connecticut river, the poll stands 11 in favor of Boston and 10 in favor of New York, practically equally divided.

I prepared recently a tabulation of figures to show how Boston would compare in size with eight regional banks to

be organized in various parts of the country, and for my own purposes I divided the country into eight imaginary districts. I have the tabulation here with the details, which I will introduce in the testimony.

The Secretary of Agriculture: Did you undertake to map out the territory?

Mr. Blinn: I did, yes, sir.

The Secretary of Agriculture: With the centres?

Mr. Blinn: Yes, and I have the details here.

The Secretary of the Treasury: Have you a map?

Mr. Blinn: I havenot a map. I have the states here. Shall I introduce the figures?

The Secretary of the Treasury: Yes.

Mr. Blinn: I located the cities as follows: New York, Chicago, St. Louis, Boston, San Francisco, Washington, either New Orleans or Atlanta; I did not decide upon those two; and the eighth city was Denver.

In the New York district I included the States of New York, Pennsylvania, New Jersey and Delaware. I may say at this time that I do not present these figures to advocate these districts, but to determine how Boston would rank in size, I was obliged to define imaginary districts.

The Secretary of Agriculture: Did you include all of New Jersey?

Mr. Blinn: I did.

The Secretary of the Treasury: All of New Jersey and Pennsylvania.

Mr. Blinn: The entire states of New York, New Jersey, Pennsylvania and Delaware. In the Chicago district I took the City of Chicago and one half the balance of the State of Illinois, eliminating the Chicago bank, the full states of Indiana, Ohio, Michigan, Wisconsin, Minnesota, Iowa, North and South Dakota, and Montana:

The bank in St. Louis covers a district of Missouri, half of Illinois outside of Chicago, Kansas, Oklahoma, Texas, Kentucky, Arkansas and Nebraska.

The bank in Boston covers the whole of New England, including the six New England states.

San Francisco covered the States of California, Nevada, Idaho, Oregon and Washington.

The City of Washington covered the District of Columbia, Maryland, Virginia, West Virginia and North Carolina.

New Orleans or Atlanta district covered Louisiana, Georgia, Mississippi, Alabama, Florida, South Carolina and

Tennessee.

Denver covered the States of Colorado, Wyoming, Utah, Arizona and New Mexico.

With the districts defined as I have indicated, the bank in Boston would rank in fourth place. Boston today ranks--

The Secretary of the Treasury: Will you state the capital of these various banks as you outline them there?

Mr. Blinn: The capital of the New York institution would be \$38,762,000.

The Secretary of Agriculture: Is that on the three per cent or six per cent basis?

Mr. Blinn: On the six per cent basis. Its deposits would be approximately \$162,000,000 and total resources of approximately \$200,000,000.

Chicago would have a capital of \$22,000,000 and deposits of \$105,000,000, total resources of approximately \$128,000,000.

St. Louis would have a little less than \$15,000,000 capital, deposits of \$53,000,000, and total resources of \$68,000,000.

Boston would have a capital of \$9,000,000, deposits of

\$34,000,000, and resources of \$44,000,000.

San Francisco would have a capital of \$7,405,000, deposits of \$28,000,000, and total resources of \$35,000,000.

Washington would have a capital of \$5,877,000, deposits of \$19,000,000, and total resources of \$25,000,000.

New Orleans or Atlanta would have a capital of \$5,822,000, deposits of \$16,000,000, and total resources of \$22,000,000.

Denver would have a capital paid in by its member banks of \$1,894,000, and there would be a deficit to be subscribed by the public or by the government to bring its capital to the minimum of \$4,000,000, and would require deposits of \$9,243,000, and total resources of rising \$13,000,000.

The City of Boston at present ranks fourth in the country, from the standpoint of financial resources, also from the standpoint of clearings, and sometimes is in third place, going ahead of Philadelphia, from the standpoint of clearings. It seems to me that if there must be eight banks, as the law defines, that Boston is of sufficient financial importance to have one of the banks.

That concludes my testimony.

The Secretary of the Treasury: We are very much obliged to you, Mr. Blinn. You may attach that statement as an exhibit to your testimony.

(The tabulated statement introduced by Mr. Blinn was marked as an exhibit to his testimony, and is as follows:

RIGHT IMAGINARY FEDERAL RESERVE DISTRICTS.

Note: Act calls for reserve of 7% by Central Reserve Agents with Federal Banks. 6% is used in the calculation and no allowance is made for balances which will be withdrawn from Central Reserve Agents; theory being that 6% of gross will equal approximately 7% of net. Figures based on Comptroller's Call of October 21st, 1913.

Capital of Regional Banks.

	<u>6% Capital & Surplus of Member Bank</u>	<u>Public</u>
1. New York	\$38,762,880	
2. Chicago	22,434,840	
3. St. Louis	14,933,580	
4. Boston	9,948,440	
5. San Francisco	7,405,200	
6. Washington	5,877,780	
7. New Orleans or Atlanta	5,822,400	
8. Denver	<u>1,894,080</u>	<u>2,105,920</u>
	<u>107,077,200</u>	<u>2,105,920</u>

	<u>Deposits</u>	<u>Total Resources.</u>
1. New York	\$162,147,000	\$200,909,880
2. Chicago	105,904,620	128,339,460
3. St. Louis	53,902,380	68,835,960
4. Boston	34,776,800	44,723,040
5. San Francisco	28,476,900	35,882,100
6. Washington	19,542,240	25,420,020
7. New Orleans or Atlanta	16,152,420	21,974,820
8. Denver	<u>9,243,660</u>	<u>13,243,660</u>
	<u>430,145,820</u>	<u>539,328,940</u>

DETAILNEW YORK

	<u>Capital & Surplus</u>	<u>Deposits (Net)</u>
New York	\$344,216,000	\$1,533,987,000
Pennsylvania	252,913,000	949,541,000
New Jersey	45,617,000	210,127,000
Delaware	<u>3,303,000</u>	<u>8,795,000</u>
	\$646,048,000	\$2,702,450,000

6% 38,762,880 6% 162,147,000

Stock owned by Banks \$ 38,762,880

Deposits 162,147,000

Total Resources \$200,909,880

CHICAGO

	<u>Capital & Surplus</u>	<u>Deposits (Net)</u>
Chicago	\$ 69,050,000	\$ 358,750,000
Illinois $\frac{1}{2}$	25,831,000	108,555,000
Indiana	40,828,000	151,294,000
Ohio	93,916,000	362,869,000
Michigan	22,992,000	140,326,000
Wisconsin	25,877,000	143,214,000
Minnesota	41,785,000	224,196,000
Iowa	32,712,000	164,697,000
No. Dakota	7,362,000	38,744,000
So. Dakota	5,577,000	34,873,000
Montana	<u>7,984,000</u>	<u>37,559,000</u>
	\$373,914,000	\$1,765,077,000
$6\frac{1}{2}\%$	22,434,840	$6\frac{1}{2}\%$ 105,904,620

Stock owned by Banks \$22,434,840

Deposits 105,904,620

Total Resources \$128,339,460

ST. LOUIS

	<u>Capital & Surplus</u>	<u>Deposits (Net)</u>
Missouri	\$ 51,905,000	\$224,101,000
Illinois $\frac{1}{2}$	25,831,000	108,555,000
Kansas	18,463,000	77,600,000
Oklahoma	18,321,000	74,335,000
Texas	76,372,000	213,911,000
Kentucky	25,868,000	68,660,000
Arkansas	7,510,000	18,962,000
Nebraska	24,623,000	112,249,000
	<hr/>	<hr/>
	\$248,893,000	\$898,373,000
$6\frac{1}{2}\%$	14,933,580	$6\frac{1}{2}\%$ 53,902,380
	<hr/>	
Stock owned by Banks		\$14,933,580
Deposits		<u>53,902,380</u>
Total Resources		\$68,835,960

BOSTON

	<u>Capital & Surplus</u>	<u>Deposits (Net).</u>
Massachusetts	\$ 98,396,000	\$385,144,000
Maine	11,520,000	48,970,000
New Hampshire	8,687,000	24,265,000
Vermont	7,090,000	19,769,000
Rhode Island	10,750,000	31,518,000
Connecticut	<u>31,331,000</u>	<u>69,944,000</u>
	\$165,774,000	\$579,610,000
6% ₌	<u>9,948,440</u>	6% ₌ 34,776,600

Stock owned by Banks	\$ 9,948,440	
Deposits		<u>34,776,600</u>
Total Resources		\$44,723,040

SAN FRANCISCO

	<u>Capital & Surplus</u>	<u>Deposits (Net)</u>
California	\$ 85,068,000	\$300,406,000
Nevada	2,813,000	6,862,000
Idaho	5,048,000	19,814,000
Oregon	14,046,000	58,987,000
Washington	<u>17,945,000</u>	<u>88,546,000</u>
	\$123,420,000	\$474,615,000

6% =	7,405,200	6% =	28,476,900
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Stocks owned by banks	\$7,405,200
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Deposits	<u>28,476,900</u>
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Total Resources	\$35,882,100
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WASHINGTON 7

	<u>Capital & Surplus</u>	<u>Deposits (Net)</u>
Dist. of Columbia	\$11,844,000	\$28,983,000
Maryland	28,850,000	102,350,000
Virginia	29,356,000	99,675,000
West Virginia	18,594,000	58,999,000
No. Carolina	<u>11,319,000</u>	<u>35,697,000</u>
	\$97,963,000	\$325,704,000

6½=

5,877,780

6½=

19,542,240

Stock owned by Banks	\$5,877,780
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Deposits	19,542,240
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Total Resources	<u>\$25,420,020</u>
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NEW ORLEANS or ATLANTA

	<u>Capital & Surplus</u>	<u>Deposits (Net)</u>
Louisiana	\$13,801,000	\$38,904,000
Georgia	24,501,000	52,034,000
Mississippi	5,029,000	14,536,000
Alabama	16,031,000	42,342,000
Florida	10,592,000	32,955,000
So. Carolina	8,516,000	22,909,000
Tennessee	<u>18,770,000</u>	<u>64,527,000</u>
	\$97,040,000	\$269,207,000

6% 5,822,400 6% 16,152,420

Stock owned by Banks \$5,822,400

Deposits 16,152,420

Total resources 21,974,820

DENVER

	<u>Capital & Surplus</u>	<u>Deposits (Net)</u>
Colorado	\$18,580,000	\$94,359,000
Wyoming	2,912,000	14,302,000
Utah	5,047,000	22,125,000
Arizona	1,817,000	8,782,000
New Mexico	<u>3,212,000</u>	<u>14,493,000</u>
	\$31,568,000	\$154,062,000
6 1/2 =	1,894,080	6 1/2 = 9,243,660

Stock owned by Banks	\$1,894,080
" " " Public	<u>2,105,920</u>
Total Stock	4,000,000
Deposits	<u>9,243,660</u>
Total Resources	\$13,243,660

STATEMENT OF JOHN F. SAWYER.

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

Mr. Sawyer: John F. Sawyer. I am cashier of the Union National Bank of Lowell.

The Secretary of the Treasury: I presume you want to express the views of your city, and we would be very glad to hear from you.

Mr. Sawyer: Speaking more particularly for my own bank, our affiliations are so naturally with Boston that our bank wishes to be affiliated with Boston rather than with a New York bank, and would like to see a regional bank in Boston. I do not know how it will work in our own case, about the requirements, but the topics I have in mind are caring for the collection of country checks, that have been spoken of; and the particular bank that I represent being interested in furnishing the payrolls for our cotton mills, we always wish to be assured of a large supply of currency. Ordinarily we can turn it over in Lowell, so to speak, but at times we depend on our friends, and they have never failed us yet.

The Secretary of the Treasury: Is it your idea, Mr. Sawyer, that all of the New England states should be attached

to Boston, if a Reserve Bank should be established here? Have you given thought to that phase of the problem?

Mr. Sawyer: I have not given sufficient thought to it to answer.

The Secretary of the Treasury: Of course, it goes without saying that if a Reserve Bank was established here, Lowell would be attached to that .

Mr. Sawyer: Yes, we should expect and hope so.

The Secretary of the Treasury: We would not attempt to divorce Lowell from Boston, I can assure you. Thank you.

STATEMENT OF MR. H. M. BATCHELDER.

The Secretary of the Treasury: You may state your name, Mr. Batchelder, and your occupation.

Mr. Batchelder: H. M. Batchelder, President of the Merchants National Bank of Salem.

Gentlemen, I have no authority to speak for anybody except my own bank, the Merchants National Bank of Salem. We have a very decided interest in this question. Our bank is over 100 years old, and has been in constant successful being ever since it was born. We have a territory largely manufacturing leather, shoes and cotton. We certainly

believe that New England is geographically situated so that it would be entitled to a Federal Reserve Bank. We believe that bank ought to be, of course, in the capitol of the State, Boston. We have 450 national banks in Massachusetts with a capital of \$100,000,000, and loans and bonds in all those banks of \$672,000,000, deposits of \$501,000,000; and the savings banks in addition have a billion and a half of deposits. It is certainly a very thrifty section and a highly developed manufacturing section.

It appeals to me, gentlemen, that the system which has been established by the Boston Clearing House of clearing country checks has been a very great success and a very great benefit, that they should be cleared for all the banks in New England free, provided they are notified daily, which they almost invariably do. I certainly believe New England would be better served by a regional bank here than by a bank in New York. It is true, as several gentlemen have said, that fundamentally considered, it is important that New England should have a regional bank. The regional bank management would know much better than any city like New York about the paper that would be offered for rediscount.

I do not know, gentlemen, that there is any further presentation necessary. The ground has been pretty thoroughly covered by the gentlemen who have preceded me, I would be very glad to answer any questions that I possibly can.

The Secretary of the Treasury: You feel satisfied that so far as the commercial interests of New England are concerned, it would be better to organize New England into a Federal Reserve district.

Mr. Batchelder: I certainly do.

The Secretary of the Treasury: And have a Federal Reserve Bank in Boston?

Mr. Batchelder: Not only for the banking interests, but for the commercial interests; more especially the commercial interests, perhaps.

The Secretary of the Treasury: You think the whole of New England should be incorporated in that territory?

Mr. Batchelder: I think so. If there is any particular little corner which feels that it is more closely affiliated with New York, I do not know that we in the eastern part of the state would complain.

The Secretary of the Treasury: You would be generous to New York to that extent?

Mr. Batchelder: I would let them be generous, if they wished to.

STATEMENT OF NATHAN A. GIBBS.

Mr. Gibbs: I am Assistant Cashier of the Thames National Bank, Norwich, Conn. I do not know that I can say much, but it has been suggested that I might say something about our district.

The Secretary of the Treasury: If you will give us your views, I suppose you want to speak more particularly about the place where Norwich falls.

Mr. Gibbs: As I understand all you care particularly about, all the points that I could touch upon have been already covered, except how this will affect our bank individually, or our district.

The Secretary of the Treasury: Yes.

Mr. Gibbs: What the section should be, I have not attempted to decide. Briefly stated, our bank would be affected by the law in this way. For upwards of 30 years I do not recall that we have ever rediscounted a note. For the past year, and I think the past two years, we have not borrowed a dollar. The present system of Boston collections

we find excellent. And for your benefit I have taken the figures for the first six days of this year, covering the checks which have come to us through Boston from two Boston banks and the Clearing House, and from New York from eight banks on four days, nine on another day, and eleven on another day. On the latter day the letter contained only one dollar. We received in those six days through the Boston Clearing House \$120,000, and through the New York banks \$39,000, less than 30 per cent through New York. The way it would affect us would be this: At present we maintain a conservative business, serving our customers, going more for security perhaps, than in branching out in extended loans. We keep in our own bank and in Boston reserves of 12 per cent. Under the new law it would be distributed in the same way, only in Boston it would be with the regional bank and not with a local bank. We keep in New York banks our entire working balances, and we would do the same under the new system, so that the change from one to the other, if we check up the Clearing House as it is now arranged, would seem not to affect us at all.

I submitted to our directors the figures as to how it would affect us if we went into the system, and we have voted to go in, and I can give those to you briefly, if you

think it would be of value, or can put them in writing.

The Secretary of the Treasury: If you will put them in writing and submit them we should be glad to have them.

Mr. Gibbs: As I figured it, if we get nothing on the \$96,000 which we put in, we would lose \$320 a year in interest. I will put it in writing.

The Secretary of the Treasury: That will not hurt you very much, at the worst.

STATEMENT OF A. M. HEARD.

Mr. Heard: I am President of the Amoskeag National Bank, and also President of the New Hampshire Banking Association.

The Secretary of the Treasury: We will be very glad to hear your views on this problem.

Mr. Heard: I have but just a word. We, and I speak for a Committee appointed by the New Hampshire Bankers Association, have canvassed, so far as we were able in the limited time at our disposal, the banks of our state. While there has been some difference of opinion, the preponderance of sentiment among our members is in favor of a regional reserve bank to be located in Boston.

The old New England traditional idea that Boston is the Hub of the universe still remains for us very much of a reality, in a great many respects. Exchange with us tends toward Boston. The point raised by one of the speakers will well illustrate that fact. Owing to certain conditions imposed by our Boston banking friends, it was necessary for us to open up banking connections with Philadelphia or with Albany or other points outside of New England, especially for our banks located in the manufacturing centres, to collect and clear certain items. It will be much more natural for us to send those items to Boston, for as it works out, as our balance is increased in Philadelphia or in Albany, we have no use for exchange on Albany or Philadelphia, and we simply ask that the surplus amount shall be transferred to our credit, to our Boston correspondents.

We feel that a regional reserve bank located at Boston, managed by a Board of nine directors, in the selection of six of whom we would have a voice, would better serve our interests.

The Secretary of Agriculture: Would you care to indicate the fraction that prefer other connections?

Mr. Heard: Well, it was very very small indeed. I have

not the figures.

The Secretary of the Treasury: You would not figure it?

Mr. Heard: I could hardly figure it.

STATEMENT OF NATHAN D. PRINCE.

Mr. Prince: I am connected with the Windham County National Bank at Danielson. I represent one of the smaller inland banks of Connecticut, situated some 75 miles from Boston. Practically all of our collections outside of our immediate New York funds come to Boston. The checks, which are an important item to us, that we send to Philadelphia, are practically all New England items, with the exception of the southern and western part of the United States. It would normally come to Boston. As a previous speaker has said, we have no use for Philadelphia funds. We have to draw from Philadelphia and transfer to New York or Boston. Our situation is such that we very seldom have to borrow. We are taking care of our own local industries. Occasionally we do buy paper, and it is the sense of our people that we belong and should be included in the Boston district.

The Secretary of Agriculture: How far are you from New

York?

Mr. Prince: We are nearly 200 miles, perhaps 175 miles.

The Secretary of the Treasury: And you are within 75 miles of Boston?

Mr. Prince: We are within 75 miles of Boston, yes, sir.

STATEMENT OF MAYOR JOHN F. FITZGERALD.

The Secretary of the Treasury: Mr. Mayor, the problem confronting the Committee, I may say to you, is this. Under the requirements of the Act we must divide the country into not less than eight nor more than twelve districts, and we must locate a Federal Reserve Bank in each one of those districts. The question immediately confronting the Committee is, if Boston is selected as the headquarters of such a bank, what territory should be served by that bank. Any information or light you can give us on that subject, we would be very glad to receive.

Mayor Fitzgerald: Well, Mr. Secretary --

The Secretary of the Treasury: Without wishing to anticipate your argument, I may say this, that of course the Committee is fully aware of Boston's commercial importance, and I do not think we need any particular light

or argument on that score. What we are more interested in discovering for the moment is what part of the territory contiguous to Boston should be included in this district.

Mayor Fitzgerald: Of course, Mr. Secretary, I first want to thank you in behalf of the citizens of Boston for the very kindly sentiments and fair play which you have shown toward our city in the discussions which have gone on in other sections of the country, and your appreciation of the importance of Boston. I represent at this hearing today a very proud people who have a wonderful history. Of course, when a situation like this develops, where a selection of eight important money centers is made, it is very important, of course, to them that Boston should be given due consideration, and for them, as I have said, I want to thank you for the spirit which you have shown, where Boston's name has been mentioned.

From what I can glean in the public press, both Mr. Secretary Houston and yourself have been very kindly and very considerate.

In regard to this particular point you speak about, I would say that the gentlemen who are intimate with the banking associations of this city and of this part of the country, are much more familiar with that subject than I am, and their knowledge is wider and better than mine. I would say, however, that it has been my ambition, since I have been Mayor of the City of Boston, to centre a larger part of the thought of New England upon Boston, than has been the case for perhaps 15 or 20 years. I do not know what the cause of it is, but for some reason cities like Springfield and Holyoke embraced in the western part of Massachusetts have had business relations with New York to a large extent than I think is good for New England's interests and for Boston's interests.

I think the same is true to the south of us in Providence and Hartford and New Haven -- not going further west perhaps than Hartford-- that they should be more closely allied with Boston in business because of the fact that they are New England cities and contiguous to our territory. I think

their business relations have been far greater with New York than should be the case. Whether it was because of the tremendous power exercised by New York through its control of the money of the country I do not know, but nevertheless it is a fact.

From that standpoint I think I could argue that a regional bank should be located in Boston, and that these communities which have been doing business largely with New York should be included with Boston, so that New York should not exercise so great a power as it has in the past, and -- I say it advisedly -- I think to the detriment generally of the country at large.

This is not the time to speak about the conditions in which we find ourselves now in Boston in our railroads and in our terminals, due to the manner in which the New York financial interests have handled the problem here; but it is of course my duty as the Mayor of the city to point out that fact, and the injury that has come to the people who own stocks in those roads, who are now struggling in the black waters of despair, because of the mismanagement that was engineered from New York. Therefore, I should say, with our eyes wide open to what has happened, it is our business here to guard the situation so that this tremendous

power which has been wielded in the past will not be possible in the future. So therefore I hope that Boston will be built up as much as possible, not to do any injury to New York, but to protect the interests of the investors here and the people generally, the six or seven millions of people that we have here.

Sixty years ago, Mr. Secretary, Boston was the first commercial city in the country. We are 180 miles nearer Europe than any other part of the United States. The Cunard Company selected this port as its first location. We owned twice as much shipping in the old days as New York, of the ships that went to Calcutta, which was the big shipping port. At the present time New York has 27,000,000 tons of merchandise against four million tons of merchandise for Boston.

When you look across the water you see how keen competition is there. Antwerp is second, with 26,000,000 tons, Hamburg third with 25,000,000 tons, Rotterdam fourth, with 24,000,000 tons, and London fifth with about twenty-two and one-half million tons, following one another very closely. New York has secured this tremendous lead largely, I think, through its control of the money power, which puts us at a disadvantage.

Then this question should be considered from the standpoint of the investment which has been made by the United States. You will recall the fact that the United States has invested \$20,000,000 in this harbor here at Boston, and it is called upon to expend \$100,000,000 in New York Harbor for business which might very well come into Boston Harbor. It seems to me it is the business of the rest of the country to look upon this situation from the standpoint of dividing the business proportionately, with due respect to the interests of the people of the country as well as of the individual cities. Some \$16,000,000 to \$20,000,000 have been spent by the United States Government upon this harbor. Boston carries four million tons of merchandise now against New York's 27,000,000 tons. I have given you the figures to show how business is handled in the various ports of Europe. New York has too large a proportion. She has 300,000 cabin passengers a year. We doubled our cabin passenger business last year, so that we got 12,000, but our passenger business is practically nil. Yet the United States Government has made this huge expenditure. Without perhaps increasing the depth of the harbor

Boston to forty feet, to make it equal with New York, for a comparatively small amount of money we can do three times the business that we do in this harbor, and therefore the people of the country can get three times the advantage that they now enjoy through the expenditure of the \$16,000,000 to \$20,000,000 appropriated by the government of the United States.

I realize that there are other men here who wish to discuss this subject, and I am not going to take up too much of your time. I will simply say that this city is the oldest city upon the American continent. People come here from all parts of the world to see it, and we have preserved its institutions. It was only the other day that a distinguished visitor here said that Boston had preserved its institutions, that the talk in its streets and in its cars, and its atmosphere generally, were more nearly typically American than any other City in the country. If you go up to the head of the street you will find the old State House preserved. You will find Old South Church. You will find the reminders of Paul Revere and Bunker Hill and Concord and Lexington, and the homes of our great poets, the men who have made Boston famous. You can see Faneuil Hall, and the

present generation have imbibed the spirit and preserved the institutions of Boston, not only historically but in the expenditures that we are making, so as to make it a clean, healthy city, so as to make it a city that is worth seeing, so as to make it an attractive city. We spend more money for our schools per capita than any other city on earth. We have more parks and public playgrounds and bathing establishments here than any other city on earth. We have the biggest free hospital in the world. We have a police department and a fire department that are unexcelled. Perhaps it is not apropos to this discussion, but to indicate the character of the population here, I saw the other day that our rate for burglary insurance was less than in any other city in the country, if not in the world, because of the fact of the excellence of our police force. So, as James Russell Lowell said, it is a city that is no mean city, a city of which every citizen is proud, and they are watching jealously the actions of the officials of the United States Government, to the end that this city which witnessed the birth of the republic, whose people at all times have sacrificed their own interests in order that the

Government might be preserved, will get an honorable deal, and I know it will get nothing else from the honorable gentlemen who have been so courteous as to come to this city and listen to the arguments that are being made in its behalf (Applause.)

The Secretary of the Treasury: Thank you, Mr. Fitzgerald. If you have any data, statistical or otherwise, that you care to have incorporated in the record, we shall be very glad to receive it, and you may submit it.

Mr. Fitzgerald: Thank you very much.

STATEMENT OF CHARLES C. HOYT.

The Secretary of the Treasury: Mr. Hoyt, you represent the shoe and leather industry?

Mr. Hoyt: Yes.

The Secretary of the Treasury: You are familiar with our problem. Any light you can give on it will be gladly received.

Mr. Hoyt: I wish I were more familiar with it. I think I may say something that is pertinent to the subject. I have the honor of representing the New England Shoe and Leather

Association, and the New England Shoe & Leather Association represents the bone and sinew of the shoe and leather industry of New England.

As has already been alluded to, we have held our own remarkably. A thousand firms do business in the neighborhood of Lincoln Street, and it is the largest market of this kind in the world. The United States census shows that the total product of the shoe and cut sole industry was \$312,000,000. Of that amount New England did \$293,000,000 or 67.22 per cent.

In the leather business, tanning and finishing, the capital employed was \$45,000,000 in New England, against \$332,000,000 for the United States, and the sales were slightly less than those figures.

If the Mayor had heard the earlier remarks which you made in regard to the newspaper article, I am sure he would have apologized to you on behalf of the citizens of Boston for the statement that was made.

At the same time it is true that New England has been pretty hard hit by the tariff. We shall not know just how hard it has been hit for perhaps a year. We do know in New England that the present tariff law has meant very

drastic reductions in the rate of protection which New England had, and it is quite possible that those rates were too high. My own trade felt that in going to Washington and accepting a reduction in the duty on shoes from 25 per cent to 10 and 15 per cent, and a corresponding reduction in leather, we had met the reasonable demand for a lower tariff, and we were somewhat injured when boots and shoes were admitted free, and various kinds of leather were admitted free. We do not know how that is going to work out.

But in regard to this regional bank bill, if some of us do feel that the sentiment of the South and West and the policy of the administration has not been quite as keen in the interest of reasonable protection as we had hoped, yet we feel that on the facts which have been presented here this morning, showing where Boston desires to have a regional bank located here, the administration in Washington desires to show a reasonable and proper regard for the interests of this great section of the country. We want to be considered a part of the United States, and we think this is one of the cases where, by the arguments that have been presented here, we can prove that we are entitled to this regional bank.

The Board of Directors of our Association unanimously adopted some resolutions which are as follows:

"The Special Committee appointed to consider the question of the establishment of a Regional Reserve Bank in Boston submits the following report:

"We appreciate the argument that by combining with New York we would be able to form a bank of great resources which would give our banking interests large powers of re-discounting without recourse to other Regional Banks through the Federal Reserve Board, and would allow us to meet, without embarrassment, all rediscount demands from other Regional Banks. We understand, however, that this is not the intent of the new law. The plan is to establish Regional Reserve Banks in smaller units, relying upon the co-ordinating power of the Central Reserve Board to produce the same results as would be brought about by having one large Reserve Bank in New York covering New England.

"We believe that this is sound reasoning. A Regional Reserve Bank established in New England, no matter what its size may be, will be in a position to give all needed assistance when necessary. In our opinion it is better to rely upon our own resources and our own men inasmuch as our

interests are not identical with those of New York. We are largely interested in manufacturing, merchandizing, and port development, and anything, either sentimental or actual, which will promote those interests should be advocated. New York's interests, as stated above, are not identical. They are largely financial and commercial, and for this reason your Committee strongly recommends the establishment of a Regional Reserve Bank in Boston."

The Secretary of the Treasury: I may repeat, referring to your remarks, that the purpose of the Committee in holding these hearings, is of course to get light. We have the duty here of exercising a very responsible judicial function, and it is the purpose of the Committee to hear from the entire country, and to get the facts, and then to make a decision upon the facts as submitted. Of course we are largely familiar with all of this information we are getting here to-day about the importance of Boston commercially. This information as to Boston, and the contiguous territory, its manufactures and industries and commerce generally, is of the highest importance in enabling us to reach a conclusion; and we hope that when we do reach a conclusion it will be one that will at least be -- as we certainly shall endeavor to

make it -- of advantage to the country generally. In arriving at that conclusion, we are bound I think to serve every part of the country (Applause).

Mr. Hoyt: Permit me to say that the low rate of burglary insurance would tend to show that the regional bank would be reasonably safe in Boston.

The Secretary of the Treasury: We do not think that is as strong an argument as some others that have been submitted.

STATEMENT OF JAMES J. PHELAN.

The Secretary of the Treasury: Mr. Phelan, as a member of the House of Representatives you helped to construct this bill. We shall be very glad indeed to have you give us your views. You know the problem with which we are immediately dealing, better than I can explain it to you.

Mr. Phelan: I come from the shoe manufacturing city of Lynn, which is the largest shoe manufacturing city in the country. Other speakers have mentioned the importance and magnitude of the shoe manufacturing business in this State, so that I am not going to dwell on that, further than to say that the manufacturers down there are united in wanting a

Federal Reserve Bank located here in New England. I desire to remark in passing that too many people seem to think this is a bankers' question, whereas the bill was designed primarily to help the borrowers, and the manufacturers come within that class (Applause).

The Secretary of the Treasury: The bill was intended to benefit the business of the country.

Mr. Phelan: It was intended to benefit the business of the country. My statement would seem to narrow it a little bit. It will help the business of the country by helping borrowers.

The Secretary of the Treasury: Exactly. I just wanted to give it the broader significance.

Mr. Phelan: Yes. I stated it a little bit too narrowly. Put in view of what has been said in New York, I did want to speak about the spirit of the bill.

Some of the New York bankers advocate a northeastern bank, to include everything I think north of Baltimore, and some I think would include Baltimore. I think that kind of a bank is entirely contrary to the spirit of this bill. We had the fight in Congress. There was a demand for a single central bank, and there was a demand for the regional banks. Now that fight has been settled by the

Congress of the United States: representing we presume the people of the country, and it has been decided in favor of the regional banks and not a central bank.

It is to be noted in passing that the same kind of men who are advocating this big eastern bank are the men who were advocating the central bank, and when they did not get the central bank they now want to get the nearest thing to it they can, by trying to get what amounts to the same thing in the eastern part of the country.

In regard to New England, either New England must be made a separate section, or it must be tacked on to New York. It is different from Philadelphia or Baltimore, or some of these places, where you might put it with one part of the country, or another part, here, there or some place else. New England must either be put with New York or be put by itself.

If Boston is put with New York it seems to follow that Philadelphia ought to be put with New York. There is stronger reason for putting Philadelphia with New York, on account of her greater proximity to New York and other reasons which I will not mention, than to put Boston with New York. So I think if the Committee should decide to put New England with New York, it would also include Philadelphia,

If you do that you are going to get into one Federal Reserve Bank about 43 per cent of the bank assets of the country. Now, as I have said before, I think that is against the spirit of the bill, and I am going to point out how it is, in one or two respects.

In the first place, in what perhaps may seem to be a minor matter, the bill provides that there shall be five members appointed at large by the President, outside of the ex-officio members. No two of those shall come from the same Federal Reserve district. So the President will be obliged, no matter what his preference in the matter may be, to select not more than one representative on the Federal Reserve Board from that part of the country representing 43 or more per cent of the banking assets of the country.

While they have 43 per cent of the banking assets, they will have not more than 20 per cent of representation on the board, and no discretion or choice can be exercised by the President to change that fact. That is provided by the law itself.

In the second place the law provides that each Federal Reserve Bank shall have one member on the advisory council so that this 43 per cent of the banking assets of the country

will be represented by only one member of that advisory council.

Now the very same bankers who are asking for this one big bank here in the northeast are the men who were most persistent in demanding that there should be bank representation on the Federal Reserve Board itself, and when they found they could not get that, they were insistent in their demands for a Federal Advisory Council, a demand which was allowed them. Yet these same men are advocating a plan whereby they will get only one representative for 43 per cent of the banking assets of the country. I think that is a most extraordinary policy.

Again, there you have 43 per cent of the banking assets of the country represented, you are getting a pretty big bank with which to deal on the question of governmental control. It was decided by Congress and I believe it represented an overwhelming majority of the people, that the government should control the Federal Reserve Board. If you have a bank with 43 per cent of the assets of the country, that bank is going to be controlled in its local dealings at any rate and largely administered in spite of the fact that you have a Federal Reserve Board above it, by the six

directors who are elected by the banks. There will be nine directors of the Federal Reserve Bank in the East. Six of those will be named by the banks. I do not believe Congress ever intended to give the banks the control, or two thirds of the control of a bank as large as the bank that would have 43 or 44 per cent of the banking assets of the country. I believe that was entirely contrary to the intentions of Congress. I believe if they had had a central bank they would have had a different provision. They would not have a bank controlled by the banks. If they had had a central bank, I think they never would have consented to have the bankers represent six ninths or two thirds of the directorate of that Board. In fact the idea behind the bill was that up at the top in control of the whole organization the government should be supreme, that is the people should be supreme, but that in the administration of the affairs of the bank, the banks themselves because of their experience and one thing and another, and because of a desire for fairness and justness, should be given two thirds of the representation on the directorate. But when that was designed, it was intended that we should have these regional banks and not have what amounts to a central bank.

Another thing in connection with this big bank in the East which makes it objectionable. If you have a bank comprising Boston and New York alone, it will be much worse than if you took in Philadelphia and some parts of the South. In fact, if you have that kind of a bank you are going to get into trouble when you try to divide up the rest of the country into six districts. You are going to get into several troubles. One trouble which I think will be very serious, in addition to what has been mentioned, is this: There is a provision in the bill allowing the Federal Reserve Banks to rediscount agricultural paper when it has six months to run. Personally I was opposed to that provision, but nevertheless it went in, and I acquiesced. If you divide the rest of the country into six regions, you are going to make each one of those regions necessarily smaller than if you put a bank in Boston and New York, and leave five. When you make them smaller, you are necessarily going to restrict the kind of paper that will be rediscounted in these farming districts. You are likely to get into a situation where you will have two or more agricultural district banks. The danger of this six months' paper is that it will make the assets of the banks non-liquid. The only way that

six months' paper can be handled, freely, is to have a source from which to get 90 or 60 day paper in sufficient quantities so that you can keep most of the assets of the bank liquid and still handle this six months paper. If the six months paper is going to amount to anything, you must divide up the different districts of the country so that each district will have some other kind of paper to draw on. The larger you make the bank in this part of the country, the more difficult you are going to find it to have that kind of a bank in the agricultural parts of the country.

I do not want to take up too much time, but I want to point out those few things, to show the danger that a large bank in the eastern part of the country would be, and that it would be entirely inconsistent with the spirit of the bill.

Now, as I said at the beginning, you must do one of two things. You must either make Boston a separate city, or you must tack it on to New York. If you tack it on to New York, you are going to make a stupendous bank in the East.

I think it would be better, for other reasons, to have two strong banks in the East than to have only one, be-

cause you take an extra chance by having but one bank to call on in time of trouble. As the Secretary of Agriculture pointed out, there is going to be business between those banks. They are not separate units by any means. They are brought together by various provisions of the bill, among those provisions being one which gives the Federal Reserve Board the power to permit these banks to do business with one another by rediscounting, and in certain cases compels one bank to rediscount.

The Secretary of Agriculture: It supervises the local rate of discount.

Mr. Phelan: Yes, it supervises the local rate of discount, but at the same time these banks undoubtedly will do considerable business with one another, and when funds are idle in the East it is a very easy matter for those funds to be applied to other parts of the country, by one of the Federal Reserve Banks, through other Federal Reserve Banks, for re-discount purposes.

The Secretary of Agriculture: Do you think there is strength in the argument that Boston ought to have a reserve bank because of the fact that it will give six men selected from the community, by the community?

Mr. Phelan: I do. I did not touch that, because that had been touched upon by others. I think that was the spirit of the bill, and was also in the minds of those who framed the bill, that the banks ought to be in charge of local men, because the country is so great and its economic and other conditions are so varied in different parts of the country that in order to administer this system properly, men familiar with local conditions ought to be in charge of the banks.

And in this connection I might point out something that I think has not been brought out, which again shows that the proposition of a central New York bank is inconsistent with the spirit of the bill. A branch bank in Boston does not amount to the same thing that a regional bank in Boston amounts to, in this respect, in addition to what has been said:

If we have a Federal Reserve Bank in Boston, the banks will name six of the nine directors, the government naming three. If we have a branch bank here in Boston, only four of the directors will be named by the banks, three being named by the government, because that is the provision of the bill. In other words, although New England is a section of the

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country of vast industrial importance to the country, we will have more governmental control, we will have an opportunity for greater governmental control here in New England, than we would have in New York, because of the branch proposition.

The Secretary of the Treasury: With a branch bank, the headquarters bank would select four directors for the branch bank?

Mr. Phelan: Yes, I realize that, but there are three government directors, bear in mind, Out of the seven men, three would be three government employees.

The Secretary of the Treasury: I understand, and perhaps you made an error in your statement, You assumed that four of the directors of the branch would be chosen by the banks here.

Mr. Phelan: Yes, I did.

The Secretary of the Treasury: Whereas the bank itself, that is the headquarters bank would chose them.

Mr. Phelan: I made that error. But we still get away from the local situation.

The Secretary of the Treasury: You get still further away from the home situation.

Mr. Phelan: Yes, but the proportion is four to seven,

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instead of six to nine, as it is in the Federal Reserve Bank.

The Secretary of the Treasury: The proportion of governmental control in the Federal Reserve branch would be larger than in the administration of the Federal Reserve Bank in itself?

Mr. Phelan: Yes. That is the point I wanted to bring out.

Now, I could point out several things in the bill that show the inconsistency with the spirit of the bill of having a large bank in the East.

The Secretary of the Treasury: I do not think the Committee needs any special argument on that particular question. I mean that I think the point has been thoroughly developed.

Mr. Phelan: I did not want to let it go unanswered in the record, because it was brought out largely by the newspapers in New York.

The Secretary of the Agriculture: Speaking of these agricultural sections and the loans on farm lands, that difficulty you spoke of would be lessened by reason of the fact that the loans are restricted to 25 per cent of the

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capital and surplus, or 25 per cent of the time deposits?

Mr. Phelan: I did not mean to speak about the farm loans, If I did it was a slip of the tongue.

The Secretary of Agriculture: I thought you did.

Mr. Phelan: I wish to speak about the six months' agriculture paper.

The Secretary of the Treasury: Not the real estate loans?

Mr. Phelan: Not the real estate loans.

The Secretary of Agriculture: I beg your pardon.

Mr. Phelan: If you get a small bank out in the west or southwest, you are going to have more trouble with the six months' paper.

The Secretary of the Treasury: I gather from your argument that you are inclined to the belief that the minimum number of banks should be established rather than the maximum, because the larger the number of the banks, of course the greater probability that a purely agricultural or some purely agricultural districts will be established. I mean that you would get less diversification of industries?

Mr. Phelan: I will say yes, in spite of the fact that the House bill had the number from 12 up as a minimum. I do think that at any rate in the beginning it is much better to start

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with the minimum number, so that you will get your banks strong and get them working right. If subsequently you can serve local interests better by increasing the number, you have the power to do so, or the Federal Reserve Board has the power to do it. That if it can be done, I am inclined to think it would be better; and I would just like to say in addition to what I have said, that I think a thing of as much importance as anything in establishing these various districts, is to get a varied kind of paper to deal with; because in that way you are more likely to keep the Federal Reserve Banks busy, you are more likely to do a steady business, and that particularly applies in the agricultural districts; because if you get a district that is purely agricultural, the banks will be very busy for a few months, for a short period, but for another long period, they apparently will not be doing much of anything.

The Secretary of the Treasury: It is very difficult to get a diversification in these districts. Take New England, which is thoroughly homogenous in that respect, you cannot get the diversification here and you cannot in New York.

Mr. Phelan: You do not need it either in New York, or New

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England, because that business is steady. It is manufacturing business.

The Secretary of the Treasury: Then you have a surplus?

Mr. Phelan: And you will always do a rediscounting business.

STATEMENT OF HENRY B. SPRAGUE.

Mr. Sprague: I am the President of the Central National Bank of Lynn, and I represent the Lynn Chamber of Commerce, Lynn being the home city of Mr. Phelan who has just addressed you. Perhaps naturally I ought to follow him.

You have heard something about the importance of the shoe industry of New England. Lynn is the largest manufacturer of shoes, not only in New England but in the world today and the total value of her manufactured product for 1913 was over eighty million dollars. The amount of our wages is nearly 25 per cent of the total value of our manufactured goods.

The highest rates of wages paid in the country are paid in the City of Lynn in the shoe industry. Therefore, it is very essential that we have a good supply of currency.

We receive checks from the entire country, from Seattle to

Henry B. Sprague.

Texas, because our goods are distributed over the entire country, and the custom has grown up of late, very unfortunately for us, for each customer to pay his bills in an individual check on his own bank. Now the hope of our city is that the collection of checks, which is a feature of the new law will be of the greatest importance to us. Notwithstanding the great value to us of the privilege of rediscounting, the great cost to us in doing our business is the collection of these checks. We have been turned from the natural channel of the collection of these checks to Albany, which has offered us the greatest facilities at the least cost, so that our reserves in Lynn and in most of the manufacturing cities of New England which receive similar checks, have been turned to Albany abnormally, which is an unnatural place for us.

The Secretary of the Treasury: That is a perfectly artificial movement,

Mr. Sprague: It is a perfectly artificial movement, a perfectly artificial place to keep our reserves. It has taken it away from Boston where it belongs and tied up the larger proportion of our reserves in Albany. We should come back to the City of Boston. In the case of our own

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particular bank, the larger part of the reserves of our bank, which are considerable, because we are compelled to carry nearer 25 per cent, than the 15 per cent permitted to country banks on account of the needs of our business-- the larger part of our reserves are in Albany. That is taken away from Boston and New England, and it should be brought back here.

The Secretary of the Treasury: To what extent do you assume that New England reserves are carried in Albany through that artificial inducement?

Mr. Sprague: I think more than fifty per cent of the reserves of New England cities, if I may cite Lynn as an example-- are carried in Albany, whereas none of our reserves should be carried there. They do not belong there.

The Secretary of the Treasury: Roughly speaking, will you tell us what it amounts to in dollars and cents?

Mr. Sprague: I cannot tell you but I will have a statement of that submitted in writing.

The Secretary of the Treasury: When it is submitted it will be made Exhibit A to Mr. Sprague's testimony.

Mr. Sprague: That along should make all New England united

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for a regional bank in Boston. Aside from that is the great importance of the fact that the shoe industry must be a large borrower of money, and its natural source of borrowing is in Boston. Its paper is known in Boston. Our relation with Boston are most intimate. The most of our manufacturers have offices in Boston. We are a part of Boston, and New York does not know us and does not wish to know us in the sense that Boston does.

At one o'clock P.M., the Committee took a recess until 2:30 o'clock P.M.

AFTER RECESS

STATEMENT OF MR. H. L. HIGGINSON.

The Secretary of Agriculture: Major Higginson, you know the problem that we are confronted with?

Mr. Higginson: I do.

The Secretary of Agriculture: Of dividing the country into not less than eight or more than twelve districts? and locating a Federal Reserve Bank in each district. We should be delighted to have any information you can give us, especially about the eastern section.

Mr. Higginson: It would seem to me that we had better have a bank here, because there is a great deal of business, and New York or any other place would not be likely to know about our securities, our paper, how good a note is; and because there is a great deal of business here which ought to be cared for here. And inasmuch as this law has been made, and the regional bank system adopted, which is, as it were, on trial, it seems to me it would be against the policy of that theory to limit the number of banks. You have leeway enough and we may just as well have twelve as eight, as I understand it; but at any rate that is the theory, that the

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banks should be distributed and that each region should have its own chance. For that reason alone it would seem to me quite a clear thing that we should have a bank here. In New York they cannot know what we want and cannot know the quality of what we have to offer, and if they get a lot of notes, how do they know how good they are? They will know the quality of the banks, probably, and that is all. And it is a case of knowledge.

The Secretary of Agriculture: What territory would you include, Major, in the district, if a bank were located here?

Mr. Higginson: Well, I should take in most of New England; a good part of Connecticut, I suppose, deals more with New York than we do, the western part of Connecticut and perhaps the western part of Massachusetts deals more with New York, perhaps from the Connecticut Valley down, than they would deal with Boston; therefore, I would let them go there. People will go where they want to in any case, will they not, if they can?

The Secretary of Agriculture: Yes.

Mr. Higginson: And what is more, as the power of the whole thing rests in Washington, I take it the real rub of the whole thing rests with the Reserve Board. They will

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oblige these banks to accommodate the others, but people will go where they want to go. A man will keep his account in New York, and therefore he will go there. But it ought to be said that I know about as little about it as anybody in this town.

The Secretary of Agriculture: You are modest.

Mr. Higginson: I do not know, the truth is worth while sometimes, Mr. Secretary.

The Secretary of Agriculture: You look rather at the aggregate of reserve power established under this Act and the coordination of these agencies through the central board, do you?

Mr. Higginson: I do. I regard the central board as the whole thing.

The Secretary of Agriculture: From that view you do not regard the argument that there should be an overshadowing bank in New York of great importance.

Mr. Higginson; I am a Democrat, and I believe in making things reasonably equal. You cannot prevent the power that one man or one set of men may have, because of their industry and ability and power to push, you cannot change that. If you do, you will have to change the universe, and that is

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not an easy thing to do, even for the Democratic Party.

The Secretary of the Treasury: That is the first time I have heard any limitation of its powers suggested.

The Secretary of Agriculture: The argument has been advanced, Major Higginson, that a bank with approximately 45 or 50 per cent would be essential to command the respect of Europe and to accomplish certain control over discount rates and foreign exchanges and give the requisite command of banking powers, to furnish relief here and there, to Boston, for instance.

Mr. Higginson: Well, Mr. Secretary, I believe absolutely in a central bank and branches, and I believe you have a central bank and branches; you call it something else. I know the view with regard to the whole bill. I know how the President thought about it; he was kind enough to tell me before the inauguration what he meant to do, and that is the way they want to approach it. But you cannot change the real nature of things. As regards the influence with Europe, I rather think character does it a great deal more than means, and any branch, if they know they are held together, if the committee at Washington is what you should make it, they will get all they need.

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The Secretary of Agriculture: They will leak to that rather than to any one of the eight or twelve regional banks?

Mr. Higginson: They will, if you get first rate men, and I have no doubt you will.

The Secretary of Agriculture: Your chief ground for thinking there ought to be a bank here is that you would have six men selected by the banks in this community who would know the situation.

Mr. Higginson: I should think so. Usually when we want to know a thing we go to the men who do know it instead of asking a man who does not know it, and it is on account of that, and that theory which you have set forth, that you are going to do it in a certain way, and let us try it out and see. I dare say you are right and it would be a very bold man who would say you are wrong. Everybody I know is pleased with the Act as it is. Let us try it. If you are wrong, you will learn it. There are things called newspapers which will be after you, and if the citizens cannot get what they want, I fancy they will speak to you about it.

There is one thing I should like to ask the Secretary or the Cabinet, and that is about whether directors are to

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quit their banks or not. I deal with my bank all the time, and I am a director there, and I do not think I get anything more out of them than any other fellow does; but if we are to quit or go to jail, I prefer the former. (Laughter) We should like a ruling upon that very much indeed, and when you are ready to give it I hope yourwill have the kindness to do so.

The Secretary of the Treasury: We will do almost anything to keep you out of jail, Major.

The Secretary of Agriculture: We have asked that that question be presented formally, so that we might have it fully considered, and it will be presented.

Mr. Higginson: I have no doubt you will do it as soon as you can, and I hope both of you are impressed with the fact that we wish to be good, and we will try our best.

The Secretary of Agriculture: Thank you, Major.

The Secretary of the Treasury: May I ask just one question. You referred to the fact that western Massachusetts and Connecticut perhaps might be included in the New York district, upon the theory that they had more relations with New York perhaps than with Boston. Your view there is based largely upon the question of exchange,

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is it not?

Mr. Higginson: Yes. Well, Mr. Secretary--

The Secretary of the Treasury: I mean exchange between the banks of that section and New York or Boston, as the case may be.

Mr. Higginson: Yes, of the men who go to New York. A great many of those men in that part of Connecticut would rather go to New York than here. New York is a wicked place than Boston, you know, and therefore more agreeable.

The Secretary of the Treasury: I had not heard that before. You see, Major, we continue to get information as we go along.

Mr. Higginson; Well, I am very glad. I did not suppose I could teach a New Yorker anything, and I remember, Mr. McAdoo had been there some time.

The Secretary of the Treasury: You see, I am not a native product, so I am still able to learn.

Mr. Higginson: I was born there and came here, because it so happened, and you were not born there and went to New York, and we are on the same footing.

The Secretary of the Treasury: Well, you can speak with greater authority than I can..

Mr. Higginson: My own belief is that you cannot make men do what they do not want to do. Even the Democratic party cannot do that.

The Secretary of the Treasury: I do not know, some of these banks say we are compelling them to do what they do not want to do with this alleged power of compulsion.

Mr. Higginson: One of the learned men in the business said to me the other day, "Why should we go into this plan until we know what that committee is in Washington". I said there you have to trust to the Lord and the gentlemen who have it in their control, and I do not believe there are any gentlemen who will manage it better than you. At any rate, there is the important point, if you get first rate men. First rate men do not want to go on that Board? You do not pay a decent price for an able man, but that is not your affair. Congress is wiser than most of us, and they know about what a fellow ought to have.

The Secretary of Agriculture: There are a great many men willing to render public service.

The Secretary of the Treasury: Regardless of compensation.

Mr. Higginson: I know, but sometimes their service is not worth having.

STATEMENT OF ROBERT W. TAFT.

Mr. Taft: I am President of the Merchants National Bank of Providence, the largest national bank in the state. I came down here today to favor Boston as a reserve city for New England, or such part of New England as would seem best. My bank accepted the Act on the 29th of December and on last Monday presented this resolution.

The Secretary of Agriculture: Will you read the resolution?

Mr. Taft: "Voted: That the President and Cashier be, and hereby are, instructed to advocate Boston as a Federal Reserve city".

The Secretary of the Treasury: Do you undertake to speak for the banks of Providence, or only your own bank?

Mr. Taft: I speak not only for my own bank, but there are eight national banks there, and five of them have signified verbally to me that they approve of Boston. One of them is in favor of New York and the others are non-committal. There are two state banks there, Mr. McAdoo, that I think are favorable to Boston. They have said the same thing, and three trust companies in the Clearing House,

which have not, as far as I know, stated their preference.

The Secretary of the Treasury: Is the bulk of your exchange with Boston or with New York?

Mr. Taft: I think the bulk would be with New York.

The Secretary of the Treasury: You think the bulk would be with New York?

Mr. Taft: Yes.

The Secretary of Agriculture: That is at present?

Mr. Taft: At present, yes.

The Secretary of the Treasury: Is that due to normal causes, or is there any artificial stimulation anywhere that occasions that?

Mr. Taft: Business no doubt, tends toward New York rather than Boston.

The Secretary of the Treasury: Why do you think therefore it would be better to be associated with Boston instead of New York?

Mr. Taft: Partially for patriotic reasons. I think New England is an important part of the country and should have a Reserve Bank.

The Secretary of the Treasury: Do you think that the business and commerce of Rhode Island would be just as well

cared for by incorporation into the New England district as if it were in the New York district.

Mr. Taft: I think so. Of course, it is pretty hard to tell just how it would actually work out, but I should think so.

The Secretary of the Treasury: In view of the fact that the bill provides that every Federal Reserve Bank may accept checks at par from other banks, and checks and drafts drawn upon any of its depositors, you will have established an entirely new system of exchanges.

Mr. Taft: Yes.

The Secretary of the Treasury: So that checks on the Boston Reserve Bank, for instance, would pass current and be just as much in demand for any purpose.

Mr. Taft: Providence is a par point at the present time.

The Secretary of the Treasury: So you would probably be, under those conditions, just as well served at New York?

Mr. Taft: I think so. Would you like this statement of our bank?

The Secretary of Agriculture: Yes, that may be filed as an exhibit.

(The statement presented by Mr. Taft is as follows):

Abstract of Condition of the Merchants National Bank at
the close of business Jan. 3, 1914.

RESOURCES:

Loans and discounts	\$5,657,513.23	
U. S. Bonds,	1,000,000.00	
Other bonds and securities	1,754,194.99	
Banking House	100,000.00	
Due from Banks other than Reserve	174,848.38	
Checks on other Banks	37,440.46	
Due from U.S.Treasurer	65,600.00	
Cash in Vault	449,147.49	
Due from Reserve		
Agents	<u>1,614,207.10</u>	
	2,128,954.59	\$10,852,951.65

LIABILITIES:

Capital	\$1,000,000.00	
Surplus	750,000.00	
Undivided Profits	325,487.59	
National Bank Notes outstanding	898,400.00	
Deposits	7,824,064.06	
Bonds Borrowed	<u>55,000.00</u>	\$10,852,951.65

STATEMENT OF R. A. DAVIS.

The Secretary of the Treasury: You are President of the --

Mr. Davis: I am Cashier of the National Bank in Bethel, Vermont.

The Secretary of Agriculture: Could you tell us anything you have in your mind in connection with this problem?

Mr. Davis: This morning something was said about the Western part of Vermont going to New York. I think there is a reason for that: The exchange question. But under the new bill, that question is eliminated, there is no reason, and under the new conditions I see no reason why they should go to New York. I think they would drift back to Boston, where they were originally, because of quicker service, quicker returns, and the reason for their going to New York now especially is the exchange they get there, checks collected free of exchange, and of course that is important.

The Secretary of Agriculture: What part of Vermont do you live in?

Mr. Davis: About the central part of the State. Our bank in particular has come to Boston in spite of the exchange, because of quicker returns, and we think it is better business.

The Secretary of Agriculture: You believe there should be a bank established here.

Mr. Davis: I think Vermont would desire a bank to be established here. It would naturally come to Boston because it is nearer and affords quicker service. That is the only point I had in mind, was the question of service.

The Secretary of Agriculture: There are some gentlemen from out of town present, and I think we ought to give them an opportunity to be heard, because those who live here are of course at home. May I ask if those gentlemen from Boston would be willing to give way to these gentlemen from Springfield, Fall River and Holyoke, and others who are here from out of town.

STATEMENT OF JOHN JACOB ROGERS.

The Secretary of the Treasury: Mr. Rogers, I presume you know our problem, the division of the country into districts?

Mr. Rogers: Yes.

The Secretary of the Treasury: We would be glad to have your views on this question.

Mr. Rogers: I wish to say that I am not a banker or versed in banking, nor am I an officer or director or in any

way connected with any national bank. My point of view, I suppose, is that of the man on the street. I represent the district of which the City of Lowell, about 25 miles to the north of here, is the largest place, and during this Christmas recess of Congress I have been putting in most of my time in Lowell and in the towns about Lowell in the district, trying to get the sentiment of the people on as many different points as I could. I have talked with a great many men, and I have talked with men who were supposed to know something about this banking question and this Federal Reserve Bank question, and with a great many men who did not profess to know anything about it. But as far as I have been able to see, there has been a very striking unanimity of feeling that Boston should be one of the Federal Reserve centres; and I think that that is ascribable to the fact that from the time we go to school and study geography, we in this section of the country are accustomed to regard New England as a unit by itself. That is perhaps an historical situation and perhaps a sentimental situation in part, but it has its real root in the results which flow from it, and I think it results, too, in the feeling that the people of New England all share pretty much, that they want to be

regarded as separate and as cohesive as they possibly can be.

Of course, we know that in New England, rightly or wrongly, there is a very general suspicion of New York and its banking methods. That may be checked as the result of the enactment of this law, but it certainly is a fact to be reckoned with at this time. And I think that if we are to have a most efficient and fair trial of this law, as far as New England alone is concerned, it would be achieved by causing Boston to be made one of the Federal Reserve centres.

Now I am not prepared to say that there ought not to be a line of demarcation at the southwest section of New England which would flow into New York. It is a commuting section there in part, and of course their business connections would flow into New York City rather than into Boston. But in a general way I should say that the smallest zone which should flow into New York from New England, when these lines were made up, the more desirable would be the result achieved.

That is all I care to say. I thank you very much for the opportunity to be heard.

STATEMENT OF MR. JOHN J. MARTIN.

Mr. Martin: I am President of the Exchange Trust Company, and President of the Massachusetts Real Estate Exchange.

I might say this much, Mr. Secretary, that I am here as representative, not as President of the Exchange Trust Company, but of the Massachusetts Real Estate Exchange. That is a body of 700 or 800 men who embrace the entire State of Massachusetts, and I am sent here with a message from those men at a collective meeting, as a body, to say that in their wisdom and in their best opinion, Boston should be the centre Reserve city for one of the banks. We believe this, and as there has been so much said by my predecessors, so many words have been taken from me, that it is rather hard to get back without repeating, but we men here of Massachusetts know each other and we know our methods and our way of dealing, and we are somewhat sceptical, that were we the tail of New York, we would not get the service to which New England is entitled. As you know at this time, and apparently for the last few years, New England has had an awakening, a decided awakening. The people are coming more into their own here, and we want to continue in that line. I believe it is the policy of the government to encourage

the different sections of the country, and we believe that New England should be encouraged by giving to its people the service of the bank which we ask of you.

One matter here today has not been touched upon, and that is Maine. I have been recently in Maine and I might say this for the bankers I have met in Maine, that they are in hearty accord with having Boston made the banking centre. For instance, speaking of the agricultural interests of Maine, the great potato crops we get from Maine and the great lumber industries, if those were sent to New York, gentlemen, through a branch bank, it would be simply in a chain. We are a great growing community and we want to have direct administration of our banking affairs.

One point I might make is this: You know in times of stress they all run to one hole. That is something we want to avoid. We do not want to be hitched or tacked on to any other bank. We want to have a bank of our own so that in times of stress we may be able to deal with our own people. Who is the better judge to deal with people than the people in one's own community?

In addition to these other offices, I am also Vice-President of a boiler concern, one of the largest concerns

in the country, here in Boston. We ship our goods all over the United States. There has been very little said from the manufacturer's standpoint. He is the vital point of the entire situation. It is our manufacturing industries which are largely interested in this, and they must be given support at the critical moment and have their smaller banks to re-discount their paper, and that is where we are going to build up New England.

Gentlemen, we are entitled to the bank here and we want the bank here. We are a unit in the matter. When you speak of Vermont, one of the principal cities of Vermont, Brattleboro, is only 110 miles from here. We are not spread out so much. We have the rails spread out like an octopus, and as the bankers have said here, we get in close communication with each other in very short time.

The Secretary of the Treasury: There are a number of people from out of town here and we should like to hear from them. Is anybody here from out of town who is particularly anxious to get away? If so, I wish they would make themselves known.

Mr. Stevens: I am from Hartford, and would be glad to speak to you.

STATEMENT OF MR. H. W. STEVENS.

The Secretary of the Treasury: We would be glad to hear from you and any others, if they will hand their names to the Secretary.

Mr. Stevens: I am a delegate representing the Hartford Clearing House. I have a letter from every member of the Hartford Clearing House addressed to yourself as Secretary. I have a letter from the Businessmen's Association, and I am here not to oppose a regional bank in Boston but merely to express the preference for the city to be in the district of New York.

I have not any argument to present, but simply the fact that the sentiment of Connecticut is almost unanimous and the sentiment of Hartford is entirely unanimous in favor of New York. I wish it were otherwise, because I lived in Boston myself 30 years, and would be very glad to have it otherwise. But the fact is that not only our exchange is largely in New York, only 15 per cent being in Boston, but the acquaintance of Hartford people and Connecticut people is largely in New York, the transactions are largely with New York, and New York investments are better known in Hartford, and I think Hartford investments are better known

in New York.

The secretary of the Treasury: Under this bill where all exchanges are parred between the Reserve bank and member banks, would it make so much difference if Hartford was in the Boston district or New York district?

Mr. Stevens: I think that would have a very material effect, to relieve the situation so far as exchange is concerned. And I would like to say right here, as an expression of my own feeling, that the Clearing House features and provisions of the new bill strike me as among the most important. The first thing that broke down in the panic of 1907 was our collection facilities, and I think an improvement in that connection is fundamental. And the provisions of the new bill seem to me such that they can and they ought to provide wonderfully improved facilities for the collection of checks; and of course, New York exchange would not be as important under those conditions as now.

The secretary of the Treasury: You understand, of course, Mr. Stevens, that the normal course of transactions between the member banks is not interrupted by this system. The creation of Federal Reserve banks themselves is merely an

additional facility. Now in that aspect of the case, and in view of the parring of exchanges here, and the elimination of the importance of New York exchanges as it is now, would it in your judgment make any material difference to Hartford whether she was attached to the Boston district or the New York district, I mean as a practical commercial proposition?

Mr. Stevens: It is very hard to answer that question, sir. The fact is today is that it is very much against the sentiment of Hartford and indeed of Connecticut. That is the fact, and I do not see how I can very well go back of that.

The secretary of the Treasury: No, but I mean disregarding mere sentiment, and looking at the question from the economic standpoint, because the Committee must look at it from that --

Mr. Stevens: Surely.

The Secretary of the Treasury: Not only as to what would be best for the district, but for the country as an entirety. Looking at it from that standpoint, would Hartford be injured if it was attached to the Federal Reserve Bank in Boston?

Mr. Stevens: Hartford is a very large buyer of commercial paper. We have not sufficient borrowing demand in Hartford for our money. We have to buy a large amount of commercial paper. The commercial paper which we own would be better known in New York than in Boston. That would be one important thing to consider in the case of rediscounts, although I do not think Hartford would be very likely to have many rediscounts. And yet under this bill I do not see how we can tell what the future is going to be. It has good possibilities, and we may be very glad to avail ourselves of rediscounts. If we should have occasion to do that our paper would be better known in New York than in Boston.

The Secretary of the Treasury: Well, if your paper is good, and it is rediscounted upon the endorsement of the member banks anyway, assuming that the Boston resources were sufficient, you would have no trouble. The question would arise as to whether the resources of Boston would, from your point of view, afford you at all times an adequate facilities as those of New York.

Mr. Stevens: I see what you are driving at. Personally I have a very large sympathy with that view, and believe in it. It seems a pity that New England should not be solid in support of a regional reserve bank.

The Secretary of the Treasury: I have no opinion either way. I am simply trying to develop the economic facts here, which of course are the determining factors. I wanted to get from you an expression if possible as to whether or not there would be any actual disadvantages to Hartford if she was connected with the Federal Reserve Bank in Boston as against New York, that is disregarding sentiment altogether.

Mr. Stevens: When Mr. Blinn gave his figures this morning, showing that the capital of the Boston bank would be something like \$9,000,000, with deposits of \$34,000,000, I could not help thinking for a moment that I would rather have stock in that bank, with that proportion of deposits to

capital, than to have stock in some of the other banks. So that from the standpoint of a stock investment, stock in the Boston bank ought to sell pretty well, as compared with the New York bank for instance, and with the principle which is back of the regional bank system, I do not know ^{it} that/would be any serious loss to Hartford. I want to be perfectly frank and fair in the matter --

The Secretary of the Treasury: Certainly.

Mr. Stevens: I am simply bringing you the facts as they exist at the present time.

The Secretary of the Treasury: Of course on the question of resources you are aware that the actual capital and deposits of these banks do not represent their ultimate resources at all?

Mr. Stevens: Certainly not.

The Secretary of the Treasury: Suppose that the Reserve Bank has the right to apply to the Federal Reserve Board for issues of currency against its liquid assets, and then in addition to that government deposits which are not considered in the figures given here --

Mr. Stevens: I understand that.

The Secretary of the Treasury: So that the resources of any one of the units of this system will be as great as

their ability to put up a gold reserve?

Mr. Stevens: Yes.

The secretary of the Treasury: I mean the resources in excess of their deposits and capital will be as great as their ability to put up a gold reserve, and their liquid paper?

Mr. Stevens: Yes. Of course we in Connecticut realize that we must go where we are put, and if we are put in the Boston district, of course we will have no alternative, and you may be very sure that we will do the best we can for ourselves, and for the district also.

The Secretary of the Treasury: I am quite sure you will meet it in a patriotic spirit.

Mr. Stevens: But the feeling -- and that is what I must report --

The Secretary of the Treasury: That was the sentiment?

Mr. Stevens: The sentiment is strong in favor of the New York district. I have never thought that there was any thought whatever that Connecticut or western Connecticut would be put into the New York district. Neither have I ever had any doubt in my own mind that there should be and would be a regional bank in Boston.

STATEMENT OF SILAS B. ADAMS.

Mr. Adams: I represent the Portland Board of trade.

The Secretary of Agriculture: We shall be very glad to have your views.

Mr. Adams: I am speaking now as President of the Portland Board of Trade. I made a personal canvass of our financial institutions, and with two exceptions I found them in favor of the selection of Boston as a city to have a regional bank. One of the two exceptions said that their board were perfectly willing to accept the decision of the Boston bankers, as whatever their decision was would of necessity have to be accepted by Portland.

The other gentleman was cashier of one of our largest financial institutions. He said that he would prefer that Boston be a branch of New York because of the larger resources which would accrue from that arrangement.

From a personal canvass of the merchants, the customers of the Portland financial institutions, I find without exception a sentiment in favor of Boston being selected as a regional bank.

I took pains to inquire the attitude of some of the other boards of trade and Chambers of Commerce throughout the

State, and with your permission I will read the following telegrams:

"Lewiston, Me. Jan. 8, 1914.

Silas B. Adams, Pres. Board of Trade,
Portland, Maine.

Lewiston and Auburn banks unanimously favor Boston for regional bank.

John L. Reade."

I have also received the following telegram from Augusta:

"Augusta, Maine, Jan. 8, 1914.

Silas B. Adams,

Portland, Maine.
here
Banks/all approve regional bank in Boston.

G. E. Macomber."

I have also received the following telegram from Waterville:

"Waterville, Me., January 8, 1914.

Silas B. Adams,

Presi. Board of Trade,
Portland, Maine.

Waterville banks and Waterville Chamber of Commerce favor Boston as regional bank city.

Waterville Chamber of Commerce,

Frederick C. Thayer, President.

W. E. K. Abbott, secretary."

Also the following telegram from the Secretary of the State Board of Trade:

"Bangor, Maine, Jan. 8, 1914.

Silas B. Adams,

President Board of Trade,

Portland, Maine.

F. W. Adams Cashier of Merchants National Bank and Geo. A. Corby cashier Second National in Boston today advocating regional bank in New England President Chapin of Bangor Clearing House informs me Bangor banks are unanimous in favor of Boston as regional bank city.

EDWARD M. BLANDING."

I will state that I saw Mr. Adams of the Merchants National Bank of Bangor here in this room this morning.

That is all I can give you in my official capacity.

As a manufacturer located down in Maine, quite actively interested in five different industries, I want to call your attention to the fact that sentiment cannot perhaps be absolutely ignored because sentiment sometimes creates the

hardest kind of hard facts.

Speaking with my associates, they seemed to think that if Boston was not selected as the location for a regional bank, New England would in a way lose its prestige. Located as we are, down in this remote corner of the country, where we must bring our raw material away up there and manufacture it, perhaps with more skill than anywhere else in the country, -- but we will disregard that -- and then send it back to the customer, with the impending advance in freight rates, we do not relinquish any of the prestige that we New England manufacturers require in order to hold our place in this grand procession of industry. Consequently, if you are convinced that the sentiment of New England is in favor of Boston, I know it will receive the fullest consideration at your hands.

The secretary of Agriculture: What time does it take the mail to pass from Boston to your home?

Mr. Adams: Three and one half hours.

The secretary of Agriculture: And from New York?

Mr. Adams: It is ten hours at present. Under the revised time tables which are threatening, it may take us longer.

The Secretary of Agriculture: Do you think a board selected by the banks in this section would know more about conditions in Maine?

Mr. Adams: I am very glad that you raised that point. We feel of course that New England men should pass on New England securities and on New England paper. Why should it not be natural for the man who is best posted in each community to pass upon the merits of the paper of each community? We consider that of vital importance, that New England should have a representation on the board.

The Secretary of Agriculture: And Maine has no feeling in favor of a division of the State?

Mr. Adams: No, I may say that Maine has for generations regarded Boston as its big brother. I know that the commercial organizations look to the Boston Chamber of Commerce for their inspirations and that the most harmonious and cordial relations exist between the organizations in Maine and the Boston Chamber of Commerce and kindred organizations. The state line is not a very sharp line of demarcation.

The Secretary of Agriculture: We are very much obliged to you.

STATEMENT OF FRANCIS H. DEWEY.

The secretary of the Treasury: Mr. Dewey, I believe you are the president of the Mechanics' National Bank of Worcester.

Mr. Dewey: Yes. The Worcester Clearing House is asked to send a representative to attend this meeting, and I appear here as its representative.

Our banking relations with New York have always been entirely satisfactory, but I presume it would hardly be expected that the heart of the commonwealth would fail to throb in unison with a heart located at the hub of the universe; and owing to our proximity to Boston, and to our indirect relations with Boston banks and bankers, and business men, we feel that if the predominating sentiment -- as it certainly appears to me -- is in favor of a reserve bank in Boston, we should acquiesce in that judgment, and should willingly accept that conclusion. That is all I desire to say.

The Secretary of Agriculture: Would it be a disturbance to your normal conditions, Mr. Dewey?

Mr. Dewey: It would not. We cannot feel that it would be a disturbance of our normal conditions.

The secretary of the Treasury; it would preserve them, would it not?

Mr. Dewey: It would keep them very much in harmony with what they are at present. We have of course now a reserve agent in Boston, one in New York and one in Philadelphia, and our collections are made in accordance with those districts and are made satisfactorily and well. I cannot see that there would be any disturbance by the new arrangement.

STATEMENT OF FREDERICK W. MANSFIELD.

The Secretary of the Treasury: You are the State Treasurer of the State of Massachusetts?

Mr. Mansfield: I am not yet, but will be. I am state Treasurer elect, and I take office on the third Wednesday in January under our Constitution.

I approach this subject from two standpoints. Besides being the Treasurer elect, I have also been for many years attorney for the American federation of Labor here and for very many labor unions and for organized labor generally, and I feel that I represent the people, the laboring people, not only as being attorney, but also because, being Treasurer elect, I suppose the Treasurer elect represents all of the

people in this Commonwealth.

Some weeks ago I received from the Central Labor Union of Worcester a letter complaining very bitterly that the laboring men there could not get money on mortgages of their homes if they wanted to raise any, and that letter was sent by me to the banking commissioner at the State House in Boston. It met with the obvious reply that there was no law to compel them to lend money, and that they could refuse to lend it if they wanted to, and also that money was scarce, and so on.

I am not authorized to speak officially on this subject on behalf of the laboring men, but I am very sure that I know their attitude, and that if they did have a meeting they probably would authorize me to come here and say a word for them.

I feel that the establishment of a bank here would to a certain extent give them confidence that they could get money a little more easily and more readily than under former conditions.

As State Treasurer, if I am at all authorized to speak in that capacity, I suppose I represent the accumulated moneys of three and one half million people here, and that I am

really the only banker who represents the people, as far as bankers go. In so far as I can officially speak for them, I most earnestly urge that a bank be located here; because it seems to me that all New England, and the capital of New England ought to have such a bank. I understand that under the terms of the law state bonds and short term notes in anticipation of taxes, can be invested in by these banks, and if there is to be established here a bank of New England people and with New England money, it seems to me that as Treasurer of the Commonwealth I would much rather have that bank here than in New York.

I am also aware that I cannot say anything very new but if I have been able to say old things from a new standpoint, or a new angle, I feel I have done some good.

The laboring people, organized labor especially, wants more and freer money. I cannot speak for unorganized labor, because they have no method of expressing what they do want. They have no machinery for the expression of their wants. But I have no doubt that the ordinary laboring man, regardless of unionism, and regardless of organization, would be in favor of a bank here in Boston.

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

STATEMENT OF JOSEPH H. O'NEIL.

The Secretary of the Treasury: You were formerly a member of Congress, and you are now the president of the Federal Trust Company of Boston?

Mr. O'Neil: Yes. I come here today as the representative of the trust companies of Massachusetts. There are 41 trust companies in the organization. We held our annual meeting the other day, and they passed a resolution stating that in their opinion it was for the best interests of New England to have a regional bank in Boston.

Under our law a trust company cannot become a member bank and so they adopted recommendations to the Savings Bank Commissioner of Massachusetts to have that law changed so that they could become members of the regional bank. Both those votes were passed unanimously.

The Secretary of Agriculture: Are any of these trust companies in the western part of the State?

Mr. O'Neil: There are in the western part of the State members of the association. Whether they were there or not I do not know. There were about 22 or 23 representatives at the meeting.

The Secretary of Agriculture: 22 out of 43?

Mr. O'Neil: out of 41. Now that is official.

personally I have been in favor of any kind of legislation in this direction for the last twenty years, and of course I herald with delight the passage of this bill. I believe in it. I believe it is a great thing for the country, and I do not believe that any more strongly than I believe that we ought to have a regional bank in Boston, and that under the terms of this law and the meaning of its passage, we ought to have one here.

I will go further than that. I not only would not allow the western part of Connecticut or Massachusetts or Vermont^{to} go out of the New England district, but I would try to do what the bill is meant to do, as I understand it, to equalize things as much as possible, and I would put half of New York in with New England, and I would put them in with the regional bank in Boston (applause).

Now we know what we can get from New York. There has not been a bit of sentiment against a regional bank in Boston that has not been engineered from New York.

In the panic of 1907, notwithstanding the fact that we had millions of dollars in New York, New York said "Well, we are going to take care of ourselves, and we will not give

you your money." Of course under this bill that could not be. I got Mr. Blinn to give me his figures, and when I saw that according to his figures New York would have \$38,000,000 and Boston only \$9,000,000, I would shave off a few millions from New York and tack them on to Boston, and do what I believe as a good Democrat this law was meant to do, to equalize as much as they possibly could the banking interests of the country. You tie them together so that they are practically one system.

The secretary of the Treasury: Where would you put the dividing line in New York -- at Broadway for instance?

Mr. O'Neil: At Wall Street.

The secretary of the Treasury: Which half of New York do you want, the east or the west half?

Mr. O'Neil: Oh, the northern half.

The secretary of the Treasury: Which half do you think ought to be put with New England?

Mr. O'Neil: The northern half.

The secretary of the Treasury: If half of New York were attached to the New England district, would you have the line north of Albany or south of Albany?

Mr. O'Neil: South of Albany.

The secretary of the Treasury: I would just like you to be a little more specific, so we may be able to make the New York people understand what you want.

Mr. O'Neil: Mr. secretary, you and I both have spent quite a while in Washington, and we know that the best place to get statistical information is down at the capital of the country, and I am entirely willing to leave that to the commission in charge of it, because I know they can get the best possible information in the country.

The secretary of the Treasury: We used to think well of those statistics, but when we started out on this trip, and banker after banker told us that those clearings did not indicate the normal course of things, and that those statistics were not any too reliable, we felt that we ought to take to the country and see if we could not get some real truth.

Mr. O'Neil: This bill is not a banker's bill.

The Secretary of the Treasury: It is not intended to be.

Mr. O'Neil: No, sir, and therefore I would not take too much stock in the bankers. You remember that I stated my idea first officially. That was as a banker. Now, I am talking as a citizen of the country, and I do not see why

it is any harder than it is for you to put a regional bank as you ought to in St. Louis, and one in Chicago, and split Illinois in two. I do not see why you cannot do the same thing in New York. You know I do not like this domination of New York any more than you do.

The secretary of the Treasury: You have me at a disadvantage, as I am a judge on the bench at this minute, and cannot reply to that.

Mr. O'Neil: Perhaps that is one reason why I made the statement. It is not often I get you so (laughter).

The secretary of Agriculture: Do you think this district ought to include all of New England.

Mr. O'Neil: All, absolutely, yes, and more too. Do not forget that -- more too.

The secretary of Agriculture: You would not extend it into Canada, would you?

Mr. O'Neil: Why, my dear sir, I am in favor of taking Canada, and have been for thirty years. Let me tell you where I stand now.

The secretary of the Treasury: We hope you will not equally want to grab Mexico?

Mr. O'Neil: Yes, one flag from the Arctic to the Isthmus for me. I am a radical. I own up.

The Secretary of the Treasury: The Committee at this moment can only consider the United States.

Mr. O'Neil: Yes. The rest is aside.

The Secretary of the Treasury: We are very glad to have had your views, and we thank you very much.

STATEMENT OF CHARLES F. HICHBORN.

Mr. Hichborn: Mr. Chairman, I should hesitate very much at this time of the day to take the time of this honorable Committee, and I would not do it but for the fact that I have some distance to go, and the further fact that I represent today 24 separate banks in the State of Maine who have asked me to come here and express their views in favor of this bank in Boston. I should be remiss in my duty therefore provided I did not take your time for a few moments.

I admit that this duty will be speedily performed, but I get comfort in the thought that this board is so imbued with righteousness, so broad in its views and so limitless in capacity, I believe, as human men go, that you need not the assistance of my lame and halting tongue to guide

you aright.

The resources that would be available to a bank in this good city of Boston have already been given to you, and it would be cumulative for me today to talk further upon that line. The records also abundantly disclose it. But I wish to say therefore they will be in a very general way and very brief.

We in New England are a homogenous people. The blood of the North is associated with the blood of the South. The interests of the East are intermingled with those of the West. The money in the cities today is largely the money of the country. The successful business man of the city today is the barefoot farmer boy of the country of yesterday.

A bank located in this City of Boston, made up of men in New England, must of necessity, have a more vital knowledge of and a more vital interest in the affairs of New England than could possibly be obtained in any other way. In soil, in climate, in agriculture, in mercantile, mechanical and maritime pursuits, we are substantially one. Our demands are practically the same, and they are practically considered staple, what you might call all the year round business. We have no great crop movements, no foreign calls, no great

seasonal demands. So I consider it to be practically impossible that any section of New England could at any time make such a demand upon a regional bank in this city as to seriously embarrass it or even inconvenience it in meeting the demands of the rest of the district.

The Secretary of the Treasury: Have you framed in your own mind a definite idea as to how much of the New England district should be included in this region, if we establish a bank here?

Mr. Hitchborn: I will come to that in a moment, include it in what I was going to say, in what I think is the patriotic part of it.

I would not be a bit surprised, Mr. Chairman, if in a short time, you found this regional bank in Boston loaning to other sections, instead of being embarrassed by its own demands.

Now I am coming to the patriotic side of it just for a moment. I have heard it said in this good city of Boston that we ought to look at the thing in a broad way, and that we ought to stifle our pride in the matter of this regional bank. Why, Mr. Chairman, I like that broad way, but I use it in quite a different sense.

Go to the banks of New England and look at their securities, and what are they? They are the bonds and stocks, the bonds especially, of the cities and of the towns and of the counties and of the states and of the railroads and of the industrial businesses of the great growing west. Ah, New England money has been considered in a broad way. Stifle your pride, do they say, Mr. Secretary, stifle New England pride? Or, in the words of our good old Dave Barker, strike out the name of Bunker Hill and call it Buncombe Hill.

Looking at the thing in the broad way, as they state to you, Mr. Secretary, as I look over the development of this country I realize that New England may well say, "All of which I saw, and a very large part of which I was". Her voice is still potent in the councils of the nation, and the names of her honored dead are among those most conspicuous, among those who have made this country great and this nation famous. Wipe out the pride of New England? Never, Mr. Secretary. Let New England still be New England, one in accomplishments, one in aims, and one in purposes, and do not undertake at this stage of the game, in this great government that New England has done so much for, in estab-

lishing one of these great banks in this great new system, do not make the mistake of attempting now to sunder the civic and the historic and the mercantile ties that have bound us long together and made us strong and made us respected. I thank you for your time (Applause).

STATEMENT OF CHARLES B. STRECKER.

The secretary of the Treasury: Mr. Strecker, you may state your name and business.

Mr. Strecker: Charles B. Strecker, publisher of the Boston Financial news.

The secretary of the Treasury: you know that we are wrestling for the moment with the problem of dividing the country into not less than eight nor more than twelve districts and of locating a Federal Reserve Bank in each district.

Mr. Strecker: I emphatically believe that New England should be represented and that a regional bank should be placed here in Boston. I believe that as the Committee is charged with the duty of choosing such regional banks, it is better for the region or section in which they are chosen to have its representation from the men who know the business

and the commercial world in these sections, and who are in sympathy with these people, the manufacturers, bankers and merchants.

The Secretary of the Treasury: You think New England's interests would be best served by having a regional bank in Boston?

Mr. Strecker: Absolutely. I want to corroborate what my good friend Joe O'Neil said, that I think we will get better service and I know we will get better service if we have a regional bank here in Boston than if we are passed up and tacked on to the position of being the tail to New York's kite.

The Secretary of Agriculture: Would you include the whole of New England?

Mr. Strecker: Absolutely. I would not let sentiment of any city in New England debar it from coming into the New England regional bank. I am from Missouri by marriage, Mr. Secretary, and they have got to show me. If they cannot be served as well here in Boston, then they should not come here.

The Secretary of Agriculture: We have just had a strong argument in favor of respecting sentiment.

Mr. Strecker: Sentiment is all right --

The Secretary of Agriculture: How are we going to do both, because some gentlemen are very strongly of the opinion from sentimental as well as other reasons, that the western part of Connecticut should go to New York. Would you violate that sentiment and disregard any commercial considerations in reaching the conclusion, or would you respect economic conditions?

Mr. Strecker: I would respect economic conditions. I would only let sentiment play its part so far as I can without perhaps making too small a bank in one section and too large a bank in another section.

The Secretary of Agriculture: You think they could be as well served here, and in order to establish the balance you would lean to the inclusion of the whole of the section?

Mr. Strecker: Yes, I think the very intent of the law, "regional banks" would cover that, and New England certainly means all the states in New England. I agree with Joe O'Neil, that if you are going to give up a little piece of Connecticut, perhaps we might have a little piece of New York. I should make one region out of New England, and there is no reason to my mind but what a regional bank in

CHARLES E. STRECKER

Boston would serve faithfully and truly all of New England.

Statement of F. W. Estabrook

The Secretary of Agriculture: Who do you represent, Mr. Estabrook?

Mr. Estabrook: I represent a country bank of New Hampshire. I was represented this morning by Mr. Heard, who is Chairman of the State Banking Committee, and I will not take up any of your time except to endorse heartily everything he has said. I should dislike very much indeed to be obliged to do business as a manufacturer or banker with any other city than Boston. I am not acquainted with New York. The Boston banks always use us well, and I think it would be a calamity for New Hampshire to be obliged to do business in New York. As it is now we keep our reserves in New York and Albany, and I think the greater part in Albany, on account of these collections, but certainly it would be no improvement. The sentiments of Mr. Sprague are endorsed in that respect.

The Secretary of the Treasury: Would you keep your reserves in Albany, for instance, except for the inducement held out there.

Mr. Estabrook; Simply to avoid collection charges.

The Secretary of the Treasury: That is the only reason?

Mr. Estabrook: That is the only reason.

The Secretary of Agriculture: No commercial reason?

Mr. Estabrook: No.

The Secretary of the Treasury: So it is an artificial condition to that extent?

Mr. Estabrook: Absolutely.

The Secretary of the Treasury: And under this bill, with the parring of all exchanges, you would find it more to your interest to deal with a bank in Boston, would you not?

Mr. Estabrook: Absolutely.

The Secretary of Agriculture: You think that you could be much better served with a Reserve Bank with a local board than a branch with a foreign board?

Mr. Estabrook: I certainly do. They know us and New York knows but little about us, and they know our paper better here.

STATEMENT OF A. L. AIKEN.

Mr. Aiken: Gentlemen, I am here as President of the Worcester National Bank and am here at the request of Mr. Blinn, President of the Massachusetts Bankers Association.

I cannot add anything to what has been said in favor of

Boston as the location for a Federal Reserve Bank, beyond a confirmation of it, and I would like to strengthen it as far as I can in that respect.

We are all anxious to cooperate and to carry out the spirit of this law as well as its letter, and we believe that we have more here in the whole of New England, including Connecticut, a geographical unit, the natural trend of the trade of which is towards Boston. All Massachusetts bankers, so far as I know, are anxious that that bank should be established here. There are two of our great industries, the paper of the manufacturers engaged in which we buy, which are cotton spinning and the shoe industry, and those are both very much better known in Boston than they are in New York. And as a country banker I think I should feel that the directors of a Federal Reserve Bank in Boston would have much better knowledge of that paper than such a Board in New York would have. I should present my paper of that sort to them for re-discount with much greater confidence than I should if I had to take it over to New York.

I think there is another thing that is worthy of consideration, and that is the establishment of the collection system which exists here in New England. It seems to me

in studying the law that one of the most perplexing things is going to be the working out of the handling of country exchanges. We have an admirable system which has been worked out after years of experiment with it, covering practically the whole of the New England states and the New England cities, and therefore we are a complete group covered now by that system. The organization is intact and the business of those banks all naturally converges to this centre, and I believe we would have a large enough bank to take care of all our needs, and I believe the overwhelming sentiment of the New England bankers is that they would prefer to do their business here, and they could certainly do it more expeditiously here and perhaps with more consideration from the Federal Reserve Bank than if they were attached to New York.

The secretary of the Treasury: May I ask you to what extent you keep your reserves in Albany?

Mr. Aiken: We have no Albany account. We keep a large account in Philadelphia for exactly the same reasons as given.

The Secretary of the Treasury: That is purely abnormal, is it not?

Mr. Aiken: Absolutely. It is to my mind a bad method

of collecting our accounts.

The Secretary of the Treasury: The whole system in that respect is bad.

Mr. Aiken: Very.

The Secretary of the Treasury: And of course, the provisions of this bill are intended to correct that situation and restore normality in the collection of exchanges. You think that would be an advantage, do you not?

Mr. Aiken: Very great indeed.

The Secretary of the Treasury: We are much obliged to you.

STATEMENT OF JOHN J. MITCHELL.

Mr. Mitchell: I just want to say one brief word. I have tried to gather the sentiment of my district, which is largely metropolitan, taking in Brookline and Newton and cities where many of the residents do business in Boston, and many of the business men doing business here live in those cities in my district.

I did believe at first that there was some sentiment for a branch of a bank here, from reading the newspapers, of a Federal Bank in New York; but I find in talking with business men and other people in my district that the sentiment is practically unanimous for a Federal Reserve Bank

here in Boston. I am more familiar with the shoe business than any other line of business, because it is the principal business in my city, and the men engaged in that business are men who forty or fifty years ago alone started those small factories and have built up that business, and their names are known in Boston to the bankers and we feel as though it would be more of a personal matter. They know the history of these men and their standing, and we feel as if, if we had a bank of our own it would serve better and more expeditiously and more satisfactorily, and we are much in favor of it; and I think the business men throughout the district are not only delighted with the bill but would be very much pleased to cooperate with the working of it by having a bank here.

The Secretary of Agriculture: Do you care to express an opinion as to whether all of New England should be included.

Mr. Mitchell: I think all of New England should be included. In talking with some business men I think there is a sentiment that eastern New York should also be included in this district.

STATEMENT OF FREDERIC H. VIAUX.

The Secretary of Agriculture: You may state your name and business?

Mr. Viaux: Frederic H. Viaux, Secretary of the Boston Real Estate Exchange.

The Secretary of Agriculture: You know the problem that is confronting us?

Mr. Viaux: Yes.

The Secretary of Agriculture: What do you represent?

Mr. Viaux: I represent the Boston Real Estate Exchange through its executive committee. The Boston Real Estate Exchange is one of the important business organizations of the city, and is composed of the real estate landlords, brokers, operators and other people interested in Boston real estate. Its membership probably represents half of the assessed value of real estate of the city, some five or six hundred millions of dollars. Among its vice-presidents, are Col. William A. Gaston, now president of the Shawmut Bank, Joseph B. Russell, who was later president of the Chamber of Commerce, and also declined the appointment of Collector of the Port; Charles Francis Adams, 2nd, of Harvard College; Henry Parkman, who is now the president of

the largest saving institution in the city, and so forth.

This is the action of the Executive Committee; we do not have a director's meeting until Monday, but I have no doubt the directors will approve the action of the committee. They decided to represent to you gentlemen that Boston, next to New York, is the centre of the largest tributary population within a 50 mile circle, second in ocean commerce, probably the second centre in financial importance, of high rank in manufacturing industries, and the chief city of New England, and is entitled to and should have all the aid and comfort for its multiple activities in times of stress that the new Banking Act may give, without dependence on another city which may need all the possible resources of a regional bank to meet its own requirements; and, accordingly, the undersigned urge that Boston should be made the New England site of a Reserve Bank. This is signed by J. Sumner Draper, President, Frederic H. Viaux, Secretary, Francis R. Bangs, James W. French and Edward W. Grew, the Executive Committee of the Boston Real Estate Exchange.

I will state that although New England is rather a small spot on the map, yet it is some part of this great country. I suppose you have had plenty of statistics

thrown at you. We simply gathered up the number of manufacturing establishments in New England from our latest statistics in 1909, and there are over 25,000 which is 9.4 per cent of the entire United States. The capital was 13.6 per cent; the value of the products of the same 12.9 percent; the workers in the same, 18.8 per cent of the entire workers of the United States. In 1911 the loans and discounts of all the banks in New England were 12.53 per cent of the whole United States. The savings deposits in New England were 27.31 per cent and the total bank resources were 12.41 per cent. I suppose the present statistics are about the same.

New England is first in cotton manufactures, first in woolen manufactures, first in shoe manufactures, first in fisheries. Boston is first in per capita valuation, first in per capita banking power, second in imports, third in bank clearings, fourth in foreign commerce.

If the primal service of the regional banks is help in times of financial trouble, Boston, and New England are too big to be a bob on the tail of New York's kite and starve on the crumbs that fall from its table. And New York, in a class by itself, is too big to look out for others in

times of stress. Its regional bank will then have all it can do to look out for the vast interests of the metropolis.

STATEMENT OF JEROME JONES.

The secretary of the Treasury: Will you kindly state your full name and occupation?

Mr. Jones: Jerome Jones, a Boston merchant, Mr. Secretary and gentlemen, I will only take a couple of minutes. What I say is practically cumulative of what you have heard before. I have been a merchant for forty years and have a pride, a New England pride, a Massachusetts pride, in Boston as a great financial and commercial centre. I put it in two words, fair play. We think fair play would give us a regional bank in Boston, and we resent unfair discrimination.

Now, Mr. Secretary, I have read the evidence given in New York, and I have heard some of the evidence here today. As I read the evidence given in New York it seemed to me that all the New York bankers claimed was the centre of the watermelon, and they were willing to give us the shell. Unanimously they asked for a regional bank there that will control New England. That would be, as I think, unfair discrimination. That is all.

STATEMENT OF WILBUR H. BRACKETT.

Mr. Brackett: I am Vice-President and Cashier of the People's National Bank of Brattleboro.

The Secretary of the Treasury: Will you be good enough to tell us what your views are about the territory which should be included in a region of which would be served by a Federal reserve Bank in Boston?

Mr. Brackett: I should take the whole of New England. I very much hope you will give us a bank here in Boston. Boston bankers are very much more in touch with our affairs than New York bankers are. And again, the New York bank would be so very large that we would not create a ripple on the surface. Of our business at the present time 98 per cent of our checks come to us from Boston.

The Secretary of the Treasury: That is at Brattleboro?

Mr. Brackett: Yes. We are in the southeastern part of the state.

The Secretary of the Treasury: Yes, I know. Do you keep any part of your reserves in Albany?

Mr. Brackett: Unfortunately, yes, sir.

The Secretary of the Treasury: How about Philadelphia?

Mr. Brackett: We use Albany instead of Philadelphia.

The secretary of the Treasury: The reason would be the same in either case?

Mr. Brackett: Yes.

The Secretary of the Treasury: That is a purely abnormal situation.

Mr. Brackett: In our state we used to think we were mostly Republicans, and we like the indirect tax rather than the direct. The expense at Albany is practically the same as if we kept it in Boston.

The Secretary of the Treasury: It is?

Mr. Brackett: Yes. Idle money over there figures almost identically with the exchange charged here.

The secretary of Agriculture: You think all New England should be included in a district if a bank were established here?

Mr. Brackett: Yes, I should like to see it. I can see no advantage in a large bank in New York, because the proportion would be the same.

The Secretary of the Treasury: You would not get home rule if that were the case.

Mr. Brackett: New York is not acquainted with our banks,

and they are not acquainted with them. A number of our banks here would take our paper if we have an excess line of it today; they have an acquaintance with them, and with us, and we would not expect that in New York.

STATEMENT OF JOHN K. BATES.

Mr. Bates: I am President of the First National Bank of Portsmouth, N. H. Mr. Secretary, I came down here today to say something in favor of Boston, if there was an opportunity. I may state that we have gone into the Federal Reserve and sent in our approval the day after the bill was signed and passed the resolutions as soon as they were received, and we want to go in to help make New England a commercial centre, as it has always stood for, and which we hope to preserve. Of course, the statistical figures you have already had presented, and it is not necessary to repeat them; but the collection item, of course, has been touched on a great many times, and we have to keep an account in Philadelphia, which we would be very glad to give up if we could work it some other way. Although being a United States depository, we have not yet had any difficulty in transferring our funds into the United States Treasury

whenever we had an excuse, so that we do not have to work it around perhaps as some of the other banks have, because we are peculiarly situated in New Hampshire, being so close to the Navy Yard, and furnishing funds for them, and consequently get reimbursed again. But we prefer to do it through Boston instead of New York.

There was one thing that I wished to mention. During the panic of 1907, where Boston was of greater advantage to us than New York, we formerly used to have those transfers, that is, we would pay out in the neighborhood of \$25,000 to \$30,000 in cash weekly to the Navy Yard, and we used to have it reimbursed to us through our New York account. But during the panic of 1907 we changed that to Boston and consequently Boston had the advantage of the immediate transfer of \$30,000 which we could get as we needed it, so we did not feel the necessity of having to keep an abnormal amount of cash on hand, because we were treated so well in Boston, and we have kept up that custom ever since. In fact, that is where we should have gone.

The Secretary of Agriculture: How do you happen to keep your account in Philadelphia instead of Albany?

Mr. Bates: Well, through my predecessor; we were personally acquainted with one of the banks there, and he paid us

a personal visit about the time when this matter came up, and that is why we went there.

The secretary of the Treasury: The reasons would be the same in either case?

Mr. Bates: Yes. We also keep a Chicago account for the same reason.

The secretary of the Treasury: To the extent that you do that, it does not reflect a normal condition of exchange; it is purely arbitrary, because of the collection facility afforded.

Mr. Bates: That is the situation.

The secretary of the Treasury: But under this bill, with the parring of exchange between the banks, you would find it far more normal certainly to do business with Boston, would you not?

Mr. Bates: Yes, sir.

The secretary of the Treasury: It would suit you better on the whole?

Mr. Bates: Very much better, yes.

STATEMENT OF WINFIELD TUCK.

Mr. Tuck: I first want to express to you the pleasure

I have in appearing before two men associated with our grand President and to speak in behalf of New England, not on the line which has been urged before, as I am not a banker; I am simply a magazine representative of Mr. Bryan's Commoner and La Follette's magazine. From the experience I had for 25 years in selling goods through New England, I am going to speak as they would themselves, for the merchants of New England. As you said to Mr. O'Neil, and as I believe, in watching the progress of this bill, this was intended to be something for the people and not wholly for the bankers; and I think the people from Newport, Vt. an extreme point near the Canadian Line, on Lake Memphremagog, all the way down, every merchant you would consult, whether a dry goods merchant or a hardware merchant or a lumber dealer, would be in favor of a regional bank in Boston. I feel quite confident they would, and I think they would consent to it.

I would like to refer to one other matter which has not been touched on. The Mayor told you of the great importance of Boston, that I know you knew about before you came here. But consider the educational facilities we present to you. Stop and think of Dartmouth, Williams, Holy Cross, Bates,

Colby, and Harvard, right in this section.

We ought to be represented in this bill by a regional bank in Boston.

I do not intend to take up your time and do not want to repeat anything that has been said, but I think I speak nearer than the Treasurer of Massachusetts speaks for the common people. The bankers are here to speak for themselves. Right here I would say that I attended just to listen to the bankers in their convention held here a little while ago, and I want to say to you, and I do not know whether he is in the room within the sound of my voice or not, that I feel sorry to think that the only banker in the convention who had a kind word to say about the bill was Joe O'Neil, President of the Federal Trust Company of Boston.

To my mind the whole sentiment of that bankers' convention was against this bill.

Now that we have the bill I am very glad to see these gentlemen here, and all speaking in behalf of Boston for the regional bank; and I know that two such men would not have been selected to be associated with Woodrow Wilson and William Jennings Bryan unless you were fairminded enough to give it to us and I know you will. (Applause and laughter.)

I thank you.

STATEMENT OF WILLIAM A. GASTON.

Mr. Gaston: I will not bother you with any extended remarks, because everything that could be said has been said already. I want to give you a few letters to show the sentiment of some banks that have not been represented here. There were some other gentlemen here from other parts of New England and Massachusetts, who were here to be heard, but they had to leave without being heard. Their evidence would have been substantially like that which you have heard from all parts of New England.

The first letter that I will present is from the Spring-

vale National Bank of Springvale, Maine. It is as follows:

"Springvale, Maine, January 7, 1914.

William A. Gaston, President,

National Shawmut Bank,

Boston, Massachusetts.

Dear Sir:

Our bank is very strenuous in its desire that we have established a reserve bank in Boston. The new currency bill was passed to get control of affairs out of Wall street; but if the reserve bank for our New England district is to go to New York, I fail to see how we have mended matters so far as our part of the country is concerned. We have rather jumped from the frying pan into the fire.

Respectfully,

Geo. W. Hanson."

Here is a long letter, putting the case very forcibly, from the People's National Bank of Claremont, New Hampshire. It is as follows:

"Claremont, N. H., January 8, 1914.

Mr. William A. Gaston, President,

The National Shawmut Bank,

Boston, Mass.

Dear Sir:

I have the pleasure to acknowledge receipt of your letter of the sixth instant, but regret to inform you that I shall be unable to attend the hearings in question to be held the ninth and tenth instant in Boston.

I desire, however, to embrace this opportunity to register my earnest plea that one of the Federal Reserve Banks shall be located in Boston. I believe that the business interests of New England are so closely identified and intimately related to Boston as to make this imperative, and in any measure to disrupt this condition and relationship would cause serious inconvenience to the business interests of New England, that are naturally tributary to Boston, and that it would prove generally unsatisfactory and harmful to those interests. I hope that your arguments will so impress this Federal Organization Committee that they will decide upon Boston as one of the cities proper in which to locate a Federal Reserve Bank. Such action, I am sure, would meet with the hearty endorsement and approval of not only the banking but the entire business interests throughout New England.

Very respectfully yours,

Geo. A. Tenney, Cashier."

Here is another long letter from the National Exchange Bank of Providence, Rhode Island. That is, I think, the bank next in size in Rhode Island to the bank from which you heard this morning.

As you know, there are very few national banks in Rhode Island. I cannot speak for the trust companies in Rhode Island, but generally speaking I believe that substantially all the national banks in that state will follow the lead of the Exchange Bank, whose letter I have here, and the Merchants Bank from which you heard this morning. The following is the letter from Mr. Dooley, of the National Exchange Bank:

Providence, R. I., Jan. 8, 1914.

Mr. William A. Gaston, President

National Shawmut Bank,

Boston, Mass.

My dear Mr. Gaston:

In reply to your letter of January 6th, it gives me pleasure to say that I favor a Federal Reserve Bank at Boston. It is in the fitness of things that it should be located there, and in keeping with the purposes of the Federal Reserve Act.

The newspapers indicate a disposition on the part of some bankers to favor a large regional bank at New York, with the possibility of Boston becoming a branch thereof.

A central bank with branches was not acceptable to Congress, and failed to receive its approval. To establish then in any section of the country a bank with the quasi influence and power of a Central Institution, "Limited" would appear as possibly violative of the spirit of the new law. Some may even regard it, however unjustly, as an effort to keep measurably alive conditions, real or fancied, which by the passage of the Currency Bill, it was intended to do away with.

One of the requirements in the Reserve Act which govern the Organization Committee in their selection of cities for a reserve bank is that a due regard to the geographical, industrial and financial condition is to be observed. With these conditions in view, Boston is surely worthy of every consideration, for it is naturally the banking and financial center of practically all New England, with its vast and varied interests.

New England, a compact territory and small compared to other sections, is abounding in industrial enterprise with large invested capital, and is moneystrong; and Boston has

been a sure source of supply in case of need in the past.

In times of stress or panic, Boston has taken good care of its depositors who needed money, whether banks or people, equally as well as other reserve cities, and possibly better than some.

During 1907, the bankers and financiers in a large central reserve city seemed unable to take care of anybody but themselves, and it would be unfair to them to say that even this they did with any signal success. In their efforts "to save the Country and the situation" they gave a practical illustration of the sentiment of St. Paul that nothing is quickened except it first dies. Boston during that period demonstrated its ability to help, and served New England splendidly.

Under any circumstances the presence of a regional bank cannot but add enormously to the strength it already enjoys.

With Boston's enviable record as a banking and business city and its geographical advantage, it is assured a favorable hearing, and I trust the outcome of this hearing will be the establishment of a Federal Reserve Bank there.

Boston has always been numbered among the larger planets, why should it now take place among the satellites?

Very truly yours,

Michael P. Dooley."

Here is a letter from the First National Bank of Houlton, Maine, expressing the same sentiments. It is as follows:

"Houlton, Maine, Jan. 7, 1914.

Hon. W. G. McAdoo,

Chairman Reserve Board Organization Committee.

Dear Sir:

For, and in behalf of the National Banks of Arcoostock County, Maine, I would beg to suggest, and urge as strongly as possible, the great importance of having a Federal Reserve Bank created in New England to be located at Boston, as we firmly believe that in no other way can the business interests of this remote section of New England be subserved. I am, Sir,

Yours most respectfully,

William C. Donnell,

Pres. Arcoostock County Bankers Ass'n."

Here is a letter from Mr. John L. Billard, a very prominent man of Connecticut. He says:

"Meriden, Ct., January 7, 1914.

William A. Gaston, Pres't.,

The National Shawmut Bank,
Boston, Mass.

My dear Mr. Gaston:

I am in receipt of yours of yesterday, with invitation to attend the hearing to be given in Boston by the Federal Organization Committee relative to the locating of a Federal Reserve Bank, at Boston.

I would very much like to be present on one or both days of the hearing but regret, owing to previous engagements that I cannot be there. Personally, I would favor the establishing of a Reserve Bank at Boston owing to the population and wealth of the City and its surroundings as well as the natural tendency of New England in general as to looking to Boston as a banking center.

Yours very truly,

John L. Billard."

The secretary of the Treasury: From whom is that letter?

Mr. Gaston: It is from John L. Billard of Meriden, Connecticut.

The secretary of the Treasury: He is a business man there?

Mr. Gaston: Yes, connected with banks, a man of large influence and large wealth.

Here is a letter from the Merchants National Bank of Providence, Rhode Island:

"Providence, R. I., Jan. 7, 1914.

At a meeting of the Board of Directors of the Merchants National Bank, held Monday, January 5th, 1914, the following resolution was passed:

VOTED: That the President and Cashier be, and hereby are, instructed to advocate Boston as a Federal Reserve City.

M. J. BARBER,

Secretary of the Board of Directors."

I have also the following letter from Mr. Thomas C. Thacher, who represents the Cape Cod District in the House of Representatives. You are undoubtedly acquainted with Mr. Thacher. He lives in Yarmouth, Massachusetts. His letter is as follows:

"131 State street, Boston, Mass.

January 8, 1914.

Reserve Bank Organization Committee,

Gentlemen:

I regret that owing to an engagement in Washington I shall be unable to be present at the hearing tomorrow.

I desire to state that as a former merchant who was on-

gaged in Boston in the wool business for over twenty-five years, I advocate the location of a regional reserve bank in Boston, for these reasons:

Boston is the largest wool market in the world except London, and is the center of this country's boot and shoe, leather and hide trade, and stands third in bank clearness. New England produces the bulk of the cotton and wool textiles.

The New England people save more proportionately than other portions of our country, as their savings banks show. Capital is abundant there.

Certain New York bankers who perhaps formerly advocated one central bank for the entire country may now advocate one Federal reserve bank at New York, to provide for the country as far west as Pittsburgh, and for all New England, with a branch at Boston. I believe that this would be a mistake. The recent attempt by New York parties to control the entire New England transportation system has just ended more or less disastrously for the people of New England.

Lastly, I believe as one who voted for the Currency Bill that the men who framed this bill and who rejected the plan of one central bank, did not have in mind the creation of one supremely strong bank at New York and seven puny banks else-

where, but intended that there should be at least eight strong regional reserve banks throughout the country. I therefore believe that there should be one regional bank at Boston to provide for New England.

Very respectfully yours,

Thomas C. Thacher."

I have also a letter from Harriman Brothers, Boston, asking for the opportunity to be heard tomorrow.

I shall be very glad to answer any questions. I have no new arguments to present. They have been presented to you with great force by a great many people. I think you must have listened to almost forty witnesses already today. I simply want to go on record here as saying that I think I am one of the most urgent advocates and believe most strongly in the idea that we ought to have a regional bank here in Boston to protect our own interests. I do not like to say anything against New York bankers. Lots of them are friends of mine. Almost all of them are friends of mine, and none of them are enemies; but in case of trouble New York will look after itself and not after New England. We found that out in the panic of 1907. The Boston banks had on deposit in New York

banks, subject to check, from \$25,000,000 to \$30,000,000 and when the necessity came to get it, they could not get a cent of it. The New York banks said "We have got your money, and we are going to use it;" and they did. Now, if we are attached to a New York regional bank, I assume that that bank will be dominated and controlled by the New York interests. The amount of money it could command depends on the amount of gold in its vaults. When New York wants money, Maine and New Hampshire and New England will want money, and will want more money than they will have a right to probably, and it is easy to say who will get it, New York or New England. I think New York will get it, because if they have got control of the issuing of money, they are going to protect New York and not New England. I do not want to have that thing occur which occurred in 1907. That is one reason why we in Massachusetts and New England demand a regional bank of our own, where we can put our own resources and depend on them in case of trouble.

The secretary of the Treasury: Colonel, from your knowledge of commercial needs, and the ordinary course of business transactions in New England, do you attach any importance to the suggestion which has been made by a great many of the New York bankers that in any case the western part of

Connecticut and possibly the western part of Massachusetts, and perhaps the western part of Vermont, should be attached to the New York district, even if a Federal Reserve Bank were located at Boston?

Mr. Gaston: I do not. I do not think it is worth considering, to separate a part of Vermont or a part of Massachusetts from New England. The only question that arises in my mind at all is whether New Haven and Hartford have not had for so long a time relations with New York that that small part of New England can be better served by a New York bank than by a Boston bank. I believe that is the only topic for consideration, and I believe that with the installation of the new kind of banking, which we will have under this Act, that part of Connecticut can be served just as well by Boston banks as by New York. It is true that their banking relations have tended to run more to New York than to Boston, and by their banking relations I mean the banking relations of the banks in western Connecticut. The banks in eastern Connecticut have always been served by Boston in the main, but I do believe we ought to have all of New England, for the reasons that have been stated over and over again. It makes a bigger bank relatively, and I think

William A. Gaston,

New England is a unit and should be treated as a unit, and I do not think the sentiment of Hartford and New Haven there is of very much importance in this case. I think the natural selection of a territory like New England commends itself of the attention of everybody, and that you ought not to take nine-tenths of New England and place one-tenth of New England in another jurisdiction.

The Secretary of the Treasury: Does your bank do a large foreign business?

Mr. Gaston: No, practically none at all, for two reasons.

In the first place, we do not believe there is a great deal of money in it, and in the second place we do not want to interfere with certain private banking interests that are very close to our institution.

The Secretary of the Treasury: Do you attach any importance to the claim that it is necessary to have this preponderant bank in New York in order that foreign bankers may have more respect for the power of the banking institutions in this country, and that it might therefore be better able to take care of any situation that might develop.

Mr. Gaston: No, sir, I do not attach any importance to it at all.

The Secretary of the Treasury: Relatively speaking, the foreign transactions are very small, as compared with the total value of the domestic transactions.

Mr. Gaston: Very small in comparison.

The Secretary of the Treasury: Of course, they are entitled to some consideration, but not to preferential consideration.

Mr. Gaston: New York will do just as much foreign business if it has a district that properly belongs to it, as if it had New England hitched on to it.

The Secretary of Agriculture: It is not going to interfere with that.

Mr. Gaston: It is not going to interfere with that at all.

The Secretary of the Treasury: Take the case of Hartford and New Haven. In view of the fact that under the Federal Reserve Act if they were attached to Boston it would be a question only of their re-discounting, and that the Boston bank in case of necessity would serve their ordinary transactions, that would not interfere with the ordinary course of their daily business with their correspondent banks.

Mr. Gaston: Not a bit.

The Secretary of the Treasury: Taking all that into consideration, would you consider doing it in violation of the ordinary business procedure.

Mr. Gaston: Not at all.

The Secretary of the Treasury: Would you consider it in violation of the ordinary business procedure that now exists if they were attached to the Federal Reserve Bank in Boston, or to the one in New York?

Mr. Gaston: I do not think so in either case. It is a smaller matter, getting accustomed to come to Boston instead of New York, and I think in times of banking trouble New

William A. Gaston.

England has been able to take care of itself just as well or better than New York.

The Secretary of the Treasury: Would you go so far as to say, however, that that part of Connecticut which might possibly be considered within the suburban zone of New York, ought to be attached to the New England territory?

Mr. Gaston: Of course, I understand that under this Act you are not necessarily bound by state lines.

The Secretary of the Treasury: No, we can disregard state lines.

Mr. Gaston: But still there must be great convenience in observing state lines as far as possible, and it seems to me that the inconvenience of western Connecticut is so little, that it will be so little disturbed by hitching them on to the regional bank here in Boston, that it had better be done. It is only a matter of a little inconvenience and a little sentiment. I do not think it is a matter of moment at all.

STATEMENT OF GOVERNOR DAVID I. WALSH.

The Secretary of the Treasury: Governor Walsh, we shall be glad to hear your views on this question.

Governor Walsh: I am not here as the representative of

any banking interest, but as the representative of all of the interests and all of the people of Massachusetts. As such I think I voice the sentiment of Massachusetts when I say that there is a very strong unanimous sentiment in the community for the establishment of a Reserve Bank here in Boston.

Regardless of my own opinion, the fact that Colonel Gaston, a man of splendid standing in the community, one of our leading financial men, and incidentally, and it is no harm, a good Democrat, has made the statement here which he has made, would lead me to follow whatever recommendations he might choose to make along this line. But I want to say this to you, and I think it is a very strong argument why Boston should be recognized in this matter. That is that Massachusetts is the only state in the Union that has endorsed the policy of the national administration on the currency legislation; for my election last November was an endorsement of the policy of the national administration upon the tariffs and also upon the currency, for that bill had then passed the House and was before the Senate; and it showed that the attitude of the commonwealth is very friendly toward the administration, and toward the splendid constructive work that the administration has been doing in the

interest of the people of the country.

The Secretary of the Treasury: Governor, I am very sorry to have to interrupt you to say that while I do not want to mar the glory of Massachusetts in that respect, you will have to share it with New Jersey, because she did the same thing.

Governor Walsh: I am very glad to accept the amendment you suggest, Mr. McAdoo. I know they did not have annual elections in New Jersey, and when I made the statement I did not recall that they had their election this year. Of course, we were so interested in the result in Massachusetts that we did not think of any other state in the Union.

The Secretary of the Treasury: The issue was made then, and I assure you I would not have made an exception in favor of anything except New Jersey.

Governor Walsh: But as New Jersey is not an applicant for a bank, as I understand, there ought to be no question about Boston being given the bank that it desires.

I do not know very much about the financial questions involved here, and I do not know very much about the details of this Act. I do know its purposes, and I know they were lofty and in the interest of the people and not in the interest of the bankers alone, and that the people of the

Governor David I. Walsh.

country approved of the purposes of this bill. And I know that the bankers of Boston and New England showed that we ought to be one of the cities to receive one of those banks. If we instead of a little over 200 miles from New York, were 500 or 1000 miles way, there would not be any question, it seems to me, because of the showing of financial conditions here in New England and in Boston. It seems to me there can be no argument against the establishment of a bank here, except that we are so near to New York, and ought to use the advantages of the New York banks. Now if upon the statistics we are entitled to be recognized, it seems to me that ought to be a very powerful factor.

I want to answer one question put by Mr. McAdoo to Mr. Gaston when he suggested that western Massachusetts might possibly be connected with New York. I do not care what you do with western Connecticut, but the railroad have been trying to divide us in two up here in Massachusetts, and you ought not to let the National Government try to do it by cutting western Massachusetts from the financial institutions of Boston.

The Secretary of the Treasury: I have not suggested that it be cut off.

Governor Walsh: I know you have not.

The Secretary of the Treasury: I said the question had been raised, and I only wished to get the Massachusetts point of view.

Governor Walsh: I know you did.

The Secretary of Agriculture: I was going to ask if you cared to express an opinion as to whether all of New England should be included in this district.

Governor Walsh: I am going to be very frank about that. I really believe that the cities in the vicinity of New York, in Connecticut, might well be excepted, although I appreciate the very strong argument in favor of keeping New England as a unit. But I can see many reasons why it would be a great source of convenience for the people living at Bridgeport and Waterbury and New Haven and other Connecticut cities, to be served by a New York bank. I am not really prepared to pass upon that.

The Secretary of Agriculture: Do you think any such necessity arises in Western Massachusetts?

Governor Walsh: No, sir, I do not think there is any such necessity. But I want to say that I sincerely hope the administration will look kindly upon the claim made for Massachusetts and Boston. Speaking for myself, I shall not only consider that this Committee is acting for sound and

logical and equitable reasons, in selecting Boston, but that it has also shown another mark of its interest and appreciation of the people of New England and of Massachusetts. (Applause)

ADDITIONAL STATEMENT OF H. W. STEVENS.

Mr. Stevens: Mr. Secretary, may I add one word more?

The Secretary of the Treasury: Yes.

Mr. Stevens: I notice that the gentlemen who have answered your questions concerning the desirability of Connecticut being included in this regional district think that the sentiment in Hartford, New Haven and so forth should not count, but they are very positive that the sentiment in Boston and New England should count. Now that is human enough. It is perfectly natural, but I simply want to emphasize the fact that the sentiment in Hartford, New Haven and Bridgeport and those other places is not mere sentiment. The natural channels of trade from Hartford and that portion of Connecticut flow to New York, just as naturally as the water runs off from the hillside into the Connecticut River and down into Long Island Sound, if you will

STATEMENT OF JOSIAH QUINCY.

The Secretary of the Treasury: Mr. Quincy, of course you know what our problem is, the division of the country into not less than eight and not more than twelve district.

Mr. Quincy: I am familiar with that.

The Secretary of the Treasury: And the location of one Reserve Bank in each district. We shall be very glad indeed to have you submit any views you have on that subject, with relation to the New England problem first, and then every part of the country to which you have given consideration.

Mr. Quincy: I think, Mr. Secretary, that nothing needs to be added to the arguments already presented in behalf of New England. In fact, I cannot see any argument whatever against the claim of New England, except the plea which was made in New York, that it would be desirable to establish one bank of overshadowing size, and that in order to obtain a district which will produce a bank of that size it would be desirable to include New England with New York. It seems to me that is absolutely the only argument I have been able to find that bears against the claim of New England.

It seems to me perfectly obvious that any division of the country upon any principle of equality, or with an attempt to get anywhere near an equal basis, or as nearly as possible an equal basis from the standpoint of banking resources and of business and of industry, must inevitably lead to the conclusion that whether there are eight districts or twelve districts established, New England should be treated as one of those districts.

I regard the question as to whether western Connecticut should go with New England or with New York is a minor detail which we can readily leave to the further inquiries of this Organization Committee.

I should like to say a few words somewhat supplementing what Congressman Phelan said this morning against this claim which I have suggested, which seems to me to be the only one that stands in the way of our claim, namely, that it would be desirable to establish a bank of very large size in New York.

In the first place, it seems to me perfectly clear that the factors of the foreign effect and influence of the number of banks was deliberately subordinated by Congress to what we may call domestic considerations. It seems to me

perfectly clear that if the design of Congress had been to establish a banking system which would exert the maximum of influence over the foreign trade of the United States, and would give us the greatest possible financial control and financial standing with reference to our foreign trade, either one central bank would have been established, or not more than four banks would have been established; because it seems to me that if we consider merely that aspect of the question, the arguments in that direction are overwhelming.

But it seems to me perfectly clear that Congress decided this question after the fullest consideration, in view more of internal economic conditions than with international trade as the chief object in view, and I agree entirely with the view expressed by Congressman Phelan, that the argument in favor of the proposition to divide the country in such a way as to produce a bank of preponderating, or overwhelming relative size as compared with the other Federal Reserve banks, would be contrary to the spirit of this legislation, and contrary to the decision arrived at by Congress.

We had first the question of the central bank thoroughly thrashed out and decided in the negative. We had next the question of four districts or a larger number of districts thoroughly thrashed out and decided, and then finally we

had the question whether districts should be limited to eight as one proposition, or whether an unlimited number of districts not less than eight should be allowed upon the other hand, and Congress arrived at the compromise, which seems to me a very reasonable one, embodied in this bill, that there should be not less than eight nor more than twelve districts, leaving discretion to the Organization Committee and to the Federal Reserve Board when appointed to decide on a number between eight and twelve.

And it seems to me that this discussion gives your Committee a very desirable factor of elasticity, if I may call it so, in arriving at your decision; because it seems to me that it is at least difficult for you to absolutely and finally define the limits of any one district without considering the whole problem from a national standpoint, which involves the mapping out of every district, to include every portion of the United States.

A great deal of emphasis has been placed here today and very properly so as this Committee is hearing our local argument, if I may call it so, for a regional bank in New England, upon the sectional aspect of this question. But speaking for myself -- and I am sure I speak for many others

here, -- we recognize that this is first of all a national question, and that this Committee must decide the question of the division of these districts upon national considerations primarily, and that these should outweigh all local considerations.

Therefore let me occupy a few moments in some brief suggestions from the national standpoint, or from the standpoint of the complete mapping out of the country into districts.

It seems to me desirable not merely to avoid the creation of a district with very large capital for the purpose of giving New York City a very large bank, including as advocated before this committee in the hearings in New York, perhaps 40 per cent of the total banking capital of the country, but it seems to me advisable to move in the other direction and to endeavor to lay out a district which will not give New York any unnecessary or undue predominance in respect to the size of the capital of a Federal Reserve Bank in New York.

I think that policy is desirable for several reasons. It seems to me probably impossible to give the Federal Reserve Bank of the New York district the desired prestige merely by

making it larger in capital or larger in business than the largest of the banks in New York City. It seems to me it is approaching the problem from the wrong standpoint, in view of the fact that it is a national system, to suggest that it is desirable to establish a bank which will necessarily be larger and more important than any other bank in New York City.

Josiah Quincy.

I do not regard it in the least as inconsistent with the successful working of this system, to have a Federal Reserve Bank in New York City, which will not be as large as the largest of the banks in New York. The strength of this system must consist in the co-ordination of the banks, whether eight or twelve in number, under the direction of the Federal Reserve Board, rather than in the size of any one bank. And while, as we all know, it is not possible, it is not feasible, at least, to so divide the territory of this country that there will be even approximately equality of banking capital and of business within the districts which your committee is to decide, I submit that it is desirable, in defining those districts, to endeavor to reduce the necessary inequalities within as narrow limits as possible, instead of pursuing the policy of aggravating or exaggerating those inevitable inequalities.

Now that brings me to this specific point. It seems to me the sound principle of procedure under this Act, the policy which is most consistent with the ideas of the framers of this legislation, with the ideas of Congress in passing this legislation, would involve the separation of Philadelphia from the New York district. I am only touching

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upon this so far as it seems to me to be related now to the principles which should govern this committee in dealing with the whole problem from a national standpoint, in which, to be sure, we are especially interested from a local standpoint, but which we have to recognize, is, after all, a national problem.

Now in order to bring the thought of my mind in a concrete form before the committee, I have interested myself to prepare a little map and a brief memorandum to go with it, showing how the capital and surplus would work out if we should divide the country into ten districts. I believe that this Committee should seriously consider, and I have no doubt that it will seriously consider, availing itself of the discretion which Congress has placed in it, and of giving as much consideration to the question of going beyond eight districts within the maximum limit of twelve, as to the question of how the country could best be divided into eight districts.

It seems to me that when the decision was arrived at against four districts and when the minimum number of districts was fixed at eight, that a basis for this system was established which makes its success rest upon the power of the Federal Reserve Board to coördinate this series of banks in their

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action so as to make it a truly national system, and so as to enable the various banks to cooperate^{at}/any rate, for the purpose of protecting the gold supply of the country. And now that being the basis upon which this system rests, it does not seem to me that it makes any serious difference whether we have eight banks or ten or possibly twelve banks; because in either case, even with the minimum number of eight banks, we must depend upon the possibility of establishing a coordinated system under the very large power of the Federal Reserve Board, exercised from Washington. With such a system in mind, it seems to me, speaking roughly and suggesting a division of the country by states, without going into the breaking of state lines, that there is a pretty strong argument in favor of ten districts rather than eight.

Now my suggestion as to the ten districts would be briefly this: The first district, starting from the northeastern part of the country, could consist of the New England States, leaving the question of the inclusion of a small portion of Connecticut with New York as a detail. The second district to consist of the State of New York only, and of the northern half of the State of New Jersey. The third

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district to consist of Pennsylvania, Delaware and the southern half of New Jersey. The fourth district to consist of Maryland, the District of Columbia, West Virginia, Virginia and North Carolina, which is the same district suggested by Mr. Blinn this morning. The fifth district likewise the same as suggested by Mr. Blinn, a district composed of the Southern States, Tennessee, South Carolina, Georgia, Florida, Alabama, Mississippi and Louisiana. The sixth district I would make with the principle in view which I have suggested, of trying to come somewhere near equalizing the districts, or at any rate avoiding any unnecessary preponderance anywhere; I would make it somewhat different from the one suggested by Mr. Blinn, to include the States of Ohio, Indiana, Michigan, the northern half of Illinois, Wisconsin, Iowa, Minnesota, North Dakota and South Dakota. For the seventh district, a St. Louis district, consisting of Arkansas, Missouri, Kentucky, Nebraska, Kansas, Oklahoma and Texas. An eighth district, which could be called the Denver district, consisting of Wyoming, Utah, Colorado, Arizona and New Mexico. A ninth district consisting of California and Nevada only. A tenth district consisting of the four Northwestern states, Washington, Oregon, Montana

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and Idaho.

Now if those lines were followed, that would produce roughly about these results. In adding up the figures, I have only added millions, so that the figures are not quite accurate, but I will hand in to the committee tomorrow a careful and accurate statement; but the main results are what we are interested in today. In those districts, New York, putting capital and surplus together, would have a total capital and surplus of \$353,000,000 approximately, and would therefore, of course, stand at the head of the list in point of banking resources and in size.

The Chicago district would come next with \$312,000,000. The Pennsylvania district, as I would call it, would come next with \$306,000,000. And here I would call special attention to the fact that a district consisting of Pennsylvania, Delaware and the southern half of New Jersey only would be nearly as important as the Chicago district on the lines suggested, and would approach in importance the New York district. And I submit that it would be an exceedingly desirable result to produce three or four districts very considerably stronger, as they would be in banking strength, having banks of considerably larger capital than

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the other Federal Reserve Bank, which would be in somewhat the same class as compared with each other, although they would be in a different class from the banks of the rest of the country, than it would be to have any one bank or even any two banks which would have to be placed in a class by themselves, owing to their being so much larger than any other bank.

The fourth district in size on these lines as suggested would be the St. Louis district, which would have a total capital and surplus of about \$273,000,000. So that we should have roughly four major districts, as they might be called, of preponderating banking importance and commercial importance, which seems to me highly desirable.

When we pass from these four major districts we necessarily make a very considerable drop in the banking resources or capital which would come within the succeeding districts, New England would come fifth, with about \$181,000,000 of capital and surplus. The Southern States would come sixth with \$91,000,000, another large drop. Then would come California and Nevada with \$81,000,000 and the Washington district would come next with -- that is, the District of Columbia district, with \$73,000,000. The four northwestern

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states would come ninth with \$42,000,000, and the Denver district would come next with \$40,000,000.

Now, of course, even in that division we necessarily have great inequalities. Roughly, some \$353,000,000 of capital and surplus in the New York district and roughly, \$40,000,000 in the Denver district. But these are inevitable, and I suggest the desirability of so laying out these districts in the first place as to allow somewhat for the future growth of the country. While the Denver district is now comparatively small in banking resources and in population, it is obviously a very large district territorially and will undoubtedly grow to be a very important district. In the same way, the four Northwestern States at the present time are not very largely settled, but are having such a rapid growth and have such large natural resources, that it seems to me they could make very appropriately a district by themselves, as the system develops in the future.

I am heartily in favor of having one of these banks located at Washington. In the first place it seems to me Washington would be a desirable centre for the banks serving the northern part of the Southern States; but entirely aside from that, I think it would be of very great benefit

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to the Federal Reserve Bank to have one bank operating immediately within its observation in the City of Washington; and moreover, I think that the establishment of a bank in Washington would have a very important national educational effect. One great advantage which we have derived from the discussion of this subject of reforming our currency and banking system for the last few years, from the action which Congress has now taken, is this, that the American people have been educated up to understand or know banking and to understand the banking operations as they never have been in the past. And I think that the value of having one of these banks in Washington, the National Capitol, and particularly under the observation of Congress, would have a distinct beneficial value from that standpoint.

But the one point upon which I wish to place the most stress, which seems to me from my study of the matter the most important point to urge upon your committee, is that in arriving at a policy for the division of the country into districts, you should consider the undesirability of establishing one bank of predominating size and the greater desirability of establishing a class of three or four banks which would be somewhat equal in size and resources. Of

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course, we all know that one of the avowed objects of this legislation was to effect some degree of financial decentralization. The finances of the country have been centralized very largely and to an unnecessary extent in New York, and this movement to de-centralize the money control of New York is, in a sense, a part of a larger movement to which this administration is committed, in an endeavor to effect de-centralization in other fields, notably in connection with the control of industry by very large corporate organization. But side by side with this movement for decentralization goes another movement for combination, coordination, cooperation within small limits and within smaller lines. So that while from a national standpoint, New England, for instance, is to derive the benefit, as we hope and expect, of being decentralized financially with respect to New York, is to be given the control of its own reserves, for instance, within its own limits, under the new system New England likewise is to derive, like every other section of the country is, the benefit of a better coordination and cooperation of its own internal banking resources within the Federal Reserve unit to be established under the new system.

Josiah Quincy.

Just one other thought in conclusion. It seems to me that the method in studying this question requires a division of the country into an area of some size based upon geographical lines, which will not be too large nor too small, for the purposes of study. I think that such an area may well be composed of an area bounded by one degree of latitude which is about 70 miles, and $2\frac{1}{2}$ degrees of longitude, which $2\frac{1}{3}$ degrees would cover a distance of about 155 miles at the southern extreme of the country and about 105 miles at the northern extreme of the country. The whole United States can be divided into less than 400 blocks of that size, and each of those blocks can readily be divided into ten smaller blocks, which would be coincident with the unit areas used in the Parcel Post system. If this Committee is going to break state lines, and I have no doubt that you will find it convenient to do so, it seems to me that you must break those lines on some logical principle and not merely by laying down a line arbitrarily. It seems to me also that the statistics which bear upon this whole question, namely, the statistics of population, of manufactures, of national banks and state banks, capital, surplus, population and so forth, can best be studied by blocking the whole

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country into comparatively small areas as I have suggested, by attaching the statistics of various sorts to each area by number, giving each area a number, and then you have a basis upon which, as you draw your lines here and there, you can carry your statistics with your line and can readily study the various factors which enter into this problem upon whatever lines may suggest themselves for your consideration,

I will merely pass in a little map of that character, which contains the lines which I have suggested, laid out upon the map.

The Secretary of Agriculture: Did you indicate the ten cities that you had in mind, Mr. Quincy?

Mr. Quincy: I think I did not mark them on that map. I think there would be doubt in some of the districts as to the cities. It seems clear to me that, taking the districts in order of arrangement as we have them there, in the order in which they come, starting with New England, that of course Boston should be the city for the Federal Reserve Bank in New England; New York City for New York; Philadelphia for the Pennsylvania district; Washington for the district grouped around the national Capitol. When we come to the southern district I have no opinion to express whether

Atlanta or New Orleans would be the best point. When we come to the middle western district, Chicago is obviously the point. The Southwestern district, St. Louis, I have no doubt would be the point. The Rocky Mountain district, as it might be called, would obviously have Denver, it seems to me, for it is the most central point. The California district would have San Francisco and the Northwestern district would have either Seattle or Portland; they are about equal in banking resources, and I have no opinion to express as between these cities.

The Secretary of Agriculture: You will file those revised statistics tomorrow, will you?

Mr. Quincy: I will file tomorrow the suggestions and statistics as to those districts, worked out with more care.

The Secretary of Agriculture: Perhaps you had better attach this map at the time.

Mr. Quincy: I will file the whole matter tomorrow.

Mr. Gaston: I want to file this letter with you. It came in a letter, the outside of which was addressed to me, but the inside is addressed to you. It contains the protest of the Clearing House Association of New Haven, or the wish that they be joined to New York.

Josiah Quincy.

The Secretary of the Treasury: We will take an adjournment now until ten o'clock tomorrow morning.

Whereupon, at 5:00 o'clock P. M. an adjournment was taken to Saturday, January 10th, 1914, at 10:00 o'clock A. M.

Boston, Mass. January 10th, 1914.

The Organization Committee met pursuant to adjournment
at 10.00 A.M.

Present: Parties as before.

STATEMENT OF GEORGE W. HARRIMAN*

Mr. Harriman: I reside in Boston. My address is 53
State Street.

The Secretary of the Treasury: Mr. Harriman, the question
before the Committee is the division of the country into
districts, not less than eight nor more than twelve, and
the establishment of a headquarters bank in each district.
I understand from your letter that ^{you} have some views that
you would like to submit to the Committee, and we shall be
very glad to hear you. Will you be seated,

Mr. Harriman: I should prefer to stand, if it suits
your pleasure.

The text is in paragraph one of your call, for dividing
the country into geographical divisions, involving trans-
portation facilities, and other communication with other

parts of each district, the industrial development of each section, which involves the general movement, and so forth. The Act itself calls for the division of the country, as follows:

The Reserve Bank Organization Committee shall designate not less than eight nor more than twelve cities, to be known as Federal cities, and shall divide the continental United States, including Alaska, into districts, each district to contain only one of such Federal Reserve cities.

The question of dividing the country into groups has always been done heretofore on a voluntary basis for convenience. The Interstate Commerce Commission has divided the country into ten groups for statistical purposes. That same Commission has also divided the country on another basis for the express companies, into five groups. The difference between those divisions is that state lines are largely considered in the first, broken however in two instances for statistical purposes. The second division shows that the country has been divided into five parts, and those parts are arrived at, or that division was arrived at by reason of the monopoly of the territory the express companies enjoy.

The Comptroller of the Currency, for the purpose of statistical exhibits, has divided the country into six groups. These groups held the lines as defined by state boundaries.

I simply show you these groups as indicating the need from a transportation, industrial and banking point of view, to arrive at a standard division, in which the operations of each territory shall be conducted under substantially similar circumstances and conditions. A little over a year ago the problem became more complex by reason of handling from the transportation and rate-making point of view, the parcels post matter, and I exhibit a map of the parcels post districts, which has adopted the method of cutting the country up into squares, showing a map here with 3,800 divisions, squares, or units of area, if you please. That map is 24 inches by 36.

The Secretary of the Treasury: Are you going to leave these maps and other documents with the Committee?

Mr. Harriman: I will leave them with you.

Here is another map of the country for the purpose of recognizing where the transportation channels of the country are, and the movement of commerce. That is the Interstate

Commerce Commission express map, first referred to, and that divides the country into nine hundred blocks, one degree each. It is possible only by that method to compare parts of the country with other parts of the country under similar circumstances and conditions.

Now the criticism is that under these two systems it requires first on the parcels post map 3900 maps to make a study of the country. It includes, from the directory and registration point of view, a directory of over one million five hundred and sixty thousand pages.

The next map of the Interstate Commerce Commission, by which over three hundred million rates are reduced to about two thousand pages, is shown here.

Now I hope gentlemen that my citizenship is above my professional work, and I am about to exhibit to you a map only eight inches by nine inches, cutting the habitable portions of Continental North America into only 390 divisions requiring less than one thousand pages to answer any of the questions involved in the banking investigation, or in the rate making or the parcels post operations.

I will not speak of the quality of the work, but in order to furnish you a sample I submit to you a chart on both

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a geometrical division, or a geographical division, and a state line division.

The chart before you shows the cities which you have schedules for hearings, showing the geographical places and the dates .

I exhibit another chart which shows you the geographical location of the first banks that furnished formal acceptances under the Act.

The next chart that I show you is a chart of the geographical places of the reserve cities. It also shows the three central reserve cities.

The next chart I place before you is ^a a chart showing the geographical locations of the 151 clearing house cities, all of which you see are reduced to standard form, so that you can interlock these charts, one with the other, or the evidence of any witness appearing before you.

In order to bring the matter to a clear conception I have since yesterday interpreted the evidence of Mr. Charles P. Elinn, Jr., of the National Union Bank, who presented the views of the Boston Bankers Association, showing the eight cities that he would use as central reserve cities.

The next chart shows his geographical division, made on

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state lines, with the exception of where he varied in Illinois, cutting the state financially in two,

The next chart shows the capital and surplus of the regional banks according to his plan, giving the basis for formation of those companies, with the capital and surplus account as provided for in the Federal Act.

The next chart shows, according to Mr. Blinn's evidence, the capital and surplus of the country for each state, and the last chart of Mr. Blinn's evidence shows the combined capital and surplus for each of the regional districts that he proposes.

The Secretary of the Treasury: You mean of course of the national banks, the member banks?

Mr. Harriman: The national banks, the member banks.

The Secretary of the Treasury: The districts that he suggested.

Mr. Harriman: The districts that he suggested, I believe his statement is based on the—

The Secretary of the Treasury: On the Comptroller's report.

Mr. Harriman: On the Comptroller's call.

The Secretary of the Treasury: The Comptroller's

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call of October 21, 1913.

Mr. Harriman: Yes. Now gentlemen, the point I wish to bring out is this, that heretofore I have shown you the charts, which show groupings of the country purely on a voluntary basis. You however are the first committee, are the first authorized body charged in law to cut the country into twelve regions, and it is one of the most momentous and important decisions that you must arrive at that affects the industry, commerce and prosperity of this country, one of the most momentous problems that was ever before a body for solution and decision.

Now in order to illustrate further the system which I believe must be basically standardized before you can go very far, I call your attention to the fact that the state lines are political lines, while the movements of trade and commerce are not limited to state lines. They are governed by natural features, rivers, lakes, mountains, gaps in mountains, bridges across rivers; and I as a citizen am directing my attention to that part of the country in which we are situated. In order to make myself clear as to the importance of these geographical considerations, I call your attention to the fact that there are only ten doorways

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so to speak to New England in the whole line from New York to Montreal. Think of it, gentlemen, one of the most important financial centers, geographically and commercially in the country, with only ten bridges or gateways entering it between New York and Montreal. Each one of those bridges is a franchise feature which controls the movement of trade and commerce. They may give to one district a privilege which another district may not enjoy, even though the latter district may be advantageously situated geographically.

To illustrate, away back in 1865, there was a canal built between the head waters of the Penobscot River and the headwaters of the Kennebec. To all intents and purposes the natural resources of the Penobscot should have gone down the Penobscot basin; but by reason of that canal they were sent down the Kennebec basin.

It is because of these features that come into this work of yours, that it is necessary to pay attention to transportation channels of commerce and industry, because those transportation channels have taken the line of least resistance, along the river valleys, and were influenced in their first construction by the geographical features.

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The state boundary lines, being political, and of an arbitrary nature, are not suitable for standardizing statistical, financial, transportation or any other kind of information that is based upon the laws of science. So that I have withdrawn absolutely from the state political boundary lines, and have adopted the geographical lines, the meridians of longitude and the parallels of latitude.

In order to reach a decision as to where these major divisions shall be, of which I show ten, I have first considered the country in its transportation, financial and industrial operations, and have grouped those states where the operations in each were under similar circumstances and conditions, and I have arrived at nine groupings, or nine regional divisions. As for instance, the operations in the Mississippi Valley and Gulf Groups are substantially similar in all states. In the norther Colonial group, as I have designated it, they are operating under similar circumstances and conditions. That is, Maine, New Hampshire, Vermont, and the New England states, New York and Pennsylvania are subject more or less to maritime transportation influences, both upon the water front, and the St. Lawrence River, the lakes and the canals. So that in my basic division I

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found nine regional groups, and if you will notice upon one of the charts is the location of the several states that have been indicated, and it will surprise you to see the coincident lines as regards those states.

Having then determined on a geographical division by major lines and groupings, the question was as to how to properly take the information of each group, and be able to compare it with other groups of similar import. I therefore concluded to use an atlas unit of one degree in latitude and two and one half degrees longitude, so that it was possible in those groups of units to thus statisticalize your information.

I show a chart of the New England group, over which is superposed my atlas unit, and in these atlas units I show you the capital and surplus for each 15 minutes square, so that it is possible for you to see the mountains of finance as well as the mountains of rock and earth; so that it is possible for you to detect the depressions of nature as well as the depressions of credit. It is upon that basis, comparing the 390 blocks, block with block, and plotting the information as you receive it, that it is possible to eliminate all guess in your work.

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The wisdom of your decision is going to be reached in the same way as all great decisions are reached, based upon knowledge and the knowledge of the country can only be interpreted through the facts.

I show you the New England division as a representation of the smallest unit cutting that I have for national purposes.

When we come to local purposes, I show you an enlarged scale of one of the atlas units, designated on my system as 4,468.. In that unit you will find the location of every banking city and the transportation channels of communication to it, the geographical location and the amount of capital and surplus, and such facts as you need to have for the purpose of reaching a decision as to the territorial influence of each particular bank.

I have not had the opportunity to take the regional cities, but I show you a chart which shows one of our Southern cities, and the heavy black lines show the radial local influence of that city, expressed on the map in miles and in transportation channels, that is its local influence.

I show you another chart which shows the national in-

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fluence of the same city, that is as to how much of the country it extends over, showing you that it is on the direct line between New York and New Orleans, and has direct connections with the sea.

Now gentlemen, in brief, I have shown you in a few minutes the result of a large number of years of work, based upon an accurate and careful study, applying rules of science to trade and to commerce, and I believe I show, in suggesting it to you, that you have the means on a small paper basis of properly classifying your views, and reaching a conclusion, eliminating all chance of guess.

In order to show you that it is a work of no mean proportions, I call your attention to the fact that I am now engaged in the study of a problem similar to this, following a correspondence with over seven thousand banks and trust companies of the United States, and dealing with the transportation problem, whereby we have disclosed 35,000 miles of actual and urgent necessary construction to bring the transportation system up to its normal demands. Just as a brief, it gives you the scope of my correspondence, it gives you the various methods we have of classifying and shows you in detail the method of handling.

I wish to say briefly, but with as much dignity and force as possible, that I desire to appeal wholly and entirely to your intelligence, to the rules of procedure to the essence of fair play, and to eliminate as much as possible the element of guess, of discretion which today permeates our whole governmental structure, and prevents us from arriving at conclusions which the Supreme Court can sustain.

I call your attention to the fact that if the groupings of the Interstate Commerce Commission statistical exhibits had been on financial lines instead of geographical lines, we would not have had such a decision as the Minnesota rate decision, which has practically restricted the whole railroad development of this country.

In conclusion, speaking colloquially your duties are more than human, because you are dealing with dollars and cents, and I feel sure that in presenting this to you, and calling your attention to it at the early stages of the hearing, your business acumen, your desire for a scientific conclusion and one that can be sustained at law, will commend itself to your attention for more than a mere passing glance, and I will very gladly put this

matter in one folio for you and leave it with you for your consideration.

I thank, you, gentlemen.

The Secretary of the Treasury: We are very much obliged, Mr. Harriman. These exhibits show that you have given a great deal of very serious and hard thought to these problems.

STATEMENT OF MR. GORDON ABBOTT.

The Secretary of Agriculture: Mr. Abbott, you know the problem that we are confronted with here.

Mr. Abbott: Yes, sir.

The Secretary of Agriculture: We should be very glad to have any views you care to express.

Mr. Abbott: There is very little that I think I can add to what has already been submitted to you as to the desirability of a regional bank in Boston, for the purpose of dealing with the New England interests, under the new law. But there is one thing which I think has perhaps not been fully dealt with, and that is that if the law is to be carried out in what I understand to be the spirit of it, namely, if there are to be eight regional banks which are to be reasonably of the same size, so far as they can be made of the same size, and homogenous, which I understand to be the spirit of the law, then it is practically having a New England bank among the eight. Otherwise, the preponderance of one of the banks is going to be so great that all the others are going to be practically dwarfed. It seems indicated that there should be three or four banks in the northeast, if there is to be a reasonable

parity between the various regional banks, which is what seems to be the spirit of the Act as it reads. That seems to me an important point which has not been dealt on very much as yet.

The Secretary of Agriculture: You do not attach importance to the suggestion that there ought not to be some sort of proportionate distribution? You knew of the contention that there ought to be one overshadowing and overwhelming bank.

Mr. Abbott: I cannot believe that that would lead to a smooth working of the system, because I doubt whether a system composed of one very large bank and five or six very weak ones would be successful, to say nothing of the probable necessity, in case of the creation of one or two very strong banks, of having a difficulty in creating six smaller banks whose capital would, under the six per cent clause, be sufficient. I think it may be found to be very difficult to do that, if one or two preponderatingly large banks are created; because we have gone by the discussion of how many banks there should be; the law says eight.

The Secretary of the Treasury: Do you think that in view of the coordination of these units through the Federal

Reserve Board, Mr. Abbott, that they could be, as far as practicable, made of equal size? I gather that that is your theory. I say, as far as practicable.

Mr. Abbott: As far as practicable.

The Secretary of the Treasury: Yes.

Mr. Abbott: It is evidently impracticable to make them all of equal size, and probably it would not be desirable, to because to do so would be dislocate the natural trend of financial transactions.

The Secretary of the Treasury: I laid emphasis on the practicable; as far as practicable, I said.

Mr. Abbott: Yes, I agree with that entirely.

The Secretary of the Treasury: What had you in your mind as to the other cities which should be made headquarters on the Atlantic Seaboard, assuming Boston were one of them?

Mr. Abbott: I should say New York and Philadelphia.

The Secretary of the Treasury: Any others?

Mr. Abbott: When you get south of Pennsylvania and New Jersey, and deal with the southeastern part and the southern part, I am not familiar enough with the local trend of finance to have what seems to me a very sound opinion as to the best way. I think that is the difficult part of the

problem, the division of the territory south of the Mason and Dixon's line and east of St. Louis, and I am not competent to form an opinion on that.

The Secretary of the Treasury: Have you any definite views as to the remainder of the country, say what cities, for instance, should be made the headquarters of the Reserve Bank?

Mr. Abbott: I should assume San Francisco for the Pacific Slope, and St. Louis for the southwest as far as the Rockies, and Chicago for the northwest.

The Secretary of the Treasury: That is six.

Mr. Abbott: That is six.

The Secretary of the Treasury: Where would you put the other two?

Mr. Abbott: That leaves the central part, including the southeastern part of the country, for division, and that is the difficult part of the problem.

The Secretary of the Treasury: You are not able to make a suggestion about those?

Mr. Abbott: I am not able to make a suggestion about those which I feel would be worthy of such consideration, because I do not know enough about the conditions.

The Secretary of the Treasury: Do you think that all of New England should be included in this district?

Mr. Abbott: I do.

The Secretary of the Treasury: Even western Connecticut?

Mr. Abbott: I think it is going to work better, in view of the fact that exchange is going to be a parity, yes, to include all of New England. I think there may be a good deal of feeling, and I have no doubt there is among the bankers of New Haven and Hartford, but I think when they consider that exchange will be at a parity between the various regional banks, that the feeling which grows out of existing conditions, that when they want to get money from the west or south at the present time it is more easy to get it through New York than through Boston, if that is clear to them, they may modify their views.

The Secretary of the Treasury: Assuming that the Boston exchange, as it would be under the system, would be as good as New York/^{exchange} for these purposes, how far do you think their views are affected by the question of time and accessibility of New York?

Mr. Abbott: Time and accessibility of course, are what are going to be uppermost in their minds.

The Secretary of the Treasury: Are these really serious factors in your judgment, under the circumstances?

Mr. Abbott: I ought not to pass upon that, it seems to me, because I have never worked under the peculiar conditions they are working under. It seems to me that the Board will have to judge of that from the testimony that they may present.

The Secretary of Agriculture: You would suggest Philadelphia for the section south of New York rather than Baltimore?

Mr. Abbott: It Yes, it would then be a question of whether Baltimore would be included in Philadelphia or included within the southeast.

The Secretary of Agriculture: You would not favor the suggestion that one of these banks be located in Washington?

Mr. Abbott: Why, Washington is not a commercial or financial nor manufacturing city, and I should assume it would be considerably to the comfort and add a great deal to the efficiency of the Reserve Board if it did not have a Reserve Bank in the city in which it sat.

The Secretary of the Treasury: We thought it was a manu-

facturing city.

Mr. Abbott: It is about to be, I believe.

The Secretary of Agriculture: That is all, I believe,
Mr. Abbott.

Mr. Abbott: I would like, if I may, to add one thing and say that I have had an opportunity of discussing with Mr. Warburg the suggestion that he has made, that if there are three or four banks which, in view of the preponderance of capital in the northeast, must be large regional banks, that some system of inter-correlation through committees of the various banks would be an excellent thing to promote the fluidity of the discount market. That is going to be one very important benefit of the new Act, and just so far as you can get credit to flow freely by means of intercourse between regional banks, just so far it is going to tend towards a flexible and frictionless working of the system.

The Secretary of Agriculture. Would you not have that through the Federal Reserve Board?

Mr. Abbott: Well, it is going to be easier, in view of the day to day character of that sort of business and the nearness of the banks, if we assume New York, Boston and Philadelphia, it is going to be a great deal easier both for

the banks and the Reserve Board, if it were done through committees from the Boards of the regional banks. I should assume that there would be one member at least of the Central Board who would be in closer touch perhaps than the others, perhaps in close contact with the northeastern regional banks. I think that that would be the solution.

The Secretary of Agriculture: Well, that is a matter for the Board to settle.

Mr. Abbott: That is a matter of detail, yes.

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

Is Mr. Higgins here?

STATEMENT OF W. D. HIGGINS.

Mr. Higgins: Mr. Secretary, nobody is better aware than myself of the fact that the presentation of figures that I shall make is somewhat crude. In the important rush of events, it is quite necessary that the latest figures obtainable be used. As the report of the Comptroller of the Currency for 1913 has not been available, I have been obliged to take the figures for 1912. All the figures that I present are from the Comptroller's reports.

As the subject is a large one, and as I believe it to

be necessary to cover it as far as possible as to what is going to take place in the next years as well as the condition of affairs that exists at the present time, I have gone 20 years back and have taken 1892 as a comparison, in order to see what progress has been made in the last 20 years, that we may forecast to a certain extent what will take place in the next 20 years. The result of these figures is unsatisfactory to me, because there are other elements that I think should be taken into consideration and that will alter what the conditions will be in 1932.

To clarify what I may say, so that you may know exactly what I am talking about, when I speak of capital I speak of the capital as made up from capital and surplus only, but in the national banks, the state banks, the loan and trust companies of the states, as given in the Comptroller's report. The deposits, as I have made them up, include the amounts due to national banks, due to state banks and bankers, due to individual depositors, to United States officers and to the United States itself, and all of the elements that make up deposits as shown in the usual Comptroller's reports.

One of the elements that it seems to me is an important

one for you to consider, Mr. Secretary, is the influence upon the growth of the wealth of this country that, to my mind, has come through the use of the reserves for the 50 years that the present national banking system has been in operation. We observe in a preliminary survey of the financial position that in the small section of country north of Virginia there is, we will say, 50 per cent of the banking capital of the entire country; the area of that section being about six per cent of the total area of the United States. It is a well known fact that money, by which we mean in this connection loanable funds, is a potent factor in the development of any business community. Is it not entirely probable, therefore, that this large aggregation of capital which represents wealth, be due in a large measure to the reserves that have been placed in so large a measure in this section? It seems to me that it is altogether probable that this is the fact, and therefore, it seems to me that one of the elements that should be considered by your Committee in the lay-out of your districts is, in some measure, the development that you desire to produce in the different parts of the United States.

The districts as I have laid them out are, for Boston,

Maine, New Hampshire, Vermont, Massachusetts and Rhode Island. I have placed Connecticut with New York. Further consideration of the subject inclines me to think that the western portions of Connecticut only should be attached to New York, and that the remainder thereof should be attached to Boston. My reason for this conclusion is that I believe, I have not had opportunity to look into the subject thoroughly, but I believe that the facilities between that section of the country that I have now spoken of, as attached to New York, are better in connection with New York and that territory than they are with respect to Boston. But I have laid out New York as comprising Connecticut, New York and New Jersey; Philadelphia as consisting of Pennsylvania, Delaware, Maryland, the District of Columbia, Virginia and West Virginia; Atlanta as consisting of North Carolina, South Carolina, Georgia, Florida, Alabama, Kentucky and Tennessee. Now considering the possible effect of a massing of reserves, the thought has entered my mind in connection with this particular territory, that if Savannah has the Harbor that it is my impression she has, that is a point I have not been able to look up, that it might be worth while considering such a point, because of the possibility

of its development as a port in connection with this matter.

New Orleans consists of Mississippi, Louisiana, Texas, Arkansas, and Oklahoma; Chicago of Illinois, Michigan, Wisconsin and Iowa; Minneapolis of Minnesota, Montana, North Dakota, and South Dakota, Cincinnati of Ohio and Indiana; Denver of Colorado, New Mexico, Utah and Wyoming; St. Louis of Missouri, Kansas and Nebraska; San Francisco of California, Arizona, Nevada and Idaho; Portland of Washington and Oregon. This consists of 12 districts. I might say that originally I mapped this out as a ten district affair, but when I came to consider that, as it seemed to me, it was desirable to throw these areas over as large a portion of the country as possible, in order that the country might benefit by the principle of which I have spoken, I divided the San Francisco district into two parts and the Chicago district I also divided in the same way; so that you can see that it is somewhat crude.

There are several other elements which I think should be taken into consideration besides the mere massing of the figures. My figures would show, for instance, for Boston, as I have laid out the territory, that--

The Secretary of the Treasury: I would suggest, Mr.

Higgins, in view of the limited time at the disposal of the Committee, that any statistical data should be passed over to the Committee, because we could not carry it in our minds anyway, and we will put it in the record.

Mr. Higgins: Yes. Would you prefer these figures, or shall I make up some figures for 1913?

The Secretary of the Treasury: Just as you like, I think those will reflect your ideas; it is only a matter of bringing the figures up to date. I think that will cover the purpose. It indicates the principle upon which you proceed.

Mr. Higgins: Yes. Shall I hand them to the stenographer?

The Secretary of the Treasury: Yes. It may be made an exhibit to your testimony.

(The statement produced by Mr. Higgins is as follows:-)

Memorandum re the districts to be formed under the Federal Reserve Act --proposed by W. D. Higgins, 75 State Street, Boston, Mass.

Note: The results presented are arrived at by a preliminary survey and important elements concerning the

subject have not been even considered; hence the districts as here laid out should probably be changed considerably.

These districts

Amounts are in millions of dollars

include

	Boston: Maine, New Hampshire, Vermont, Massachusetts					
	1892		1912		1932 ¹³ (?)	
	Capital Deposits		Capital Deposits		Capital Deposits	
Boston	\$201	\$369	\$212	\$905	\$223	\$1,441
New York	308	1200	738	4242	1166	7284
Philadelphia	208	805	667	1939	1126	3373
Atlanta	92	126	232	616	372	1108
New Orleans	50	78	203	557	358	1036
Chicago	138	425	380	1914	622	3403
Minneapolis	47	112	106	529	165	946
Cincinnati	85	203	218	823	351	1443
Denver	20	49	43	206	66	363
St. Louis	111	237	220	984	330	1731
San Francisco	75	84	155	575	235	1066
Portland	18	33	54	254	90	475

and Rhode Island.

New York: Connecticut, New York and New Jersey.

Philadelphia: Pennsylvania, Delaware, Maryland, Dist. of
Columbia, Virginia and West Virginia.

Atlanta: No. Car., So. Car., Georgia, Fla., Ala., Kentucky,
Tenn.

New Orleans: Miss., La., Texas, Ark., Oklahoma.

Chicago: Illinois, Michigan, Wisconsin, Iowa.

Minneapolis: Minn., Mont., No. Dakota, So. Dakota.

Cincinnati: Ohio, Indiana .

Denver: Colorado, New Mexico, Utah, Wyoming.

St. Louis: Missouri, Kansas, Nebraska.

San Francisco: Calif., Arizona, Nevada, Idaho.

Portland: Washington, Oregon.

Memorandum re the districts to be formed under the
Federal Reserve Act--prepared by W.D.Higgins, 73 State St.,
Boston, Mass. A showing of the capital investment of the dis-
tricts as laid out in Exhibit "A" and the resulting capital
investment--capital paid in-- in the reserve banks in 1912
and 1932, the latter estimated.

Amounts in millions of dollars

	1912		1932 Estimated	
	Commercial Banks	Reserve Banks	Commercial Banks	Reserve Banks
Boston	\$212	\$12	\$223	\$13
New York	736	44	1,166	70
Philadelphia	667	40	1,126	67
Atlanta	252	14	372	22
New Orleans	203	12	356	21
Chicago	380	23	622	37
Minneapolis	106	6	165	10
Cincinnati	218	12	351	21
Denver	43	2.5	66	4
St. Louis	220	13	330	20
San Francisco	155	9	235	14
Portland	54	3	90	5

STATEMENT OF W. R. WHITING.

Mr. Whiting: I am Vice President of the Bankers Electric Protective Association. It has been my business for the last 11 years to be acquainted with bank officers of New York and New England, and for the last five years, while it has not been my business exactly, or exactly a pleasure to talk this currency bill over with a great majority of those men, I have had perhaps unusual facilities for knowing their opinions.

It seems to me this hearing has largely been a waste of time, because I believe that when you came here you had already decided to give New England a regional bank, whether they wanted it or not.

The Secretary of the Treasury: I would rather you would proceed with facts rather than violent assumptions. You may give us any facts you have in mind and allow us to draw our own conclusions.

The Secretary of Agriculture: If that is true, there is no need of your saying anything further.

Mr. Whiting: No, I assumed that, because I believe you to be sane and progressive men, in spite of being brought

up to think that no Democrat could be either.

The Secretary of the Treasury: That may be again a violent assumption, so we prefer you to limit yourself to facts.

Mr. Whiting: I was going to limit myself to Connecticut. I believe the nub of your difficulty lies in Connecticut, and I very strongly oppose giving New York Connecticut. In the first place, I believe it belongs in New England. In the second place, I am absolutely satisfied that it is a mistake to fat up New York unnecessarily. In the third place, I believe it will aid the working of this bill to avail yourselves as far as possible of state and sectional spirit and pride. And another thing, the statement was made here yesterday about how Connecticut favored New York. The statement was not made that for a generation the New Haven Railroad has largely dominated Connecticut--

The Secretary of the Treasury: Mr. Whiting, you are getting aside from the question. If you have any facts and anything that relates really to the problem before us, we should like to hear it. You are simply expressing opinions here as to what you think the bankers and some others think about this. We would like to have any facts which would

enlighten the committee about the problem; anything bearing upon the commercial status or transportation problem or banking capital and reserves and so forth, we would be glad to have.

Mr. Whiting: Well, there has been a strong tendency since the last panic for Connecticut bankers to open accounts with Boston banks. I will undertake to get the exact figures of these and send them to you, if you consider them material.

The Secretary of the Treasury: I suggest you do that, and we will attach it as an exhibit to your testimony.

Mr. Whiting: Yes. One other thing that seems to me has not been touched upon in this discussion, in talking about Connecticut's facilities for going to New York or Boston, a branch of either the New York or the Boston bank located in Connecticut would serve the Connecticut bankers equally well in either case, so it does not seem to me that is material.

And then again, their ways of doing business do not make that of great importance. Right here 33 miles north of Boston you will find banks that correspond with Albany only and they send their accounts direct to Albany and then back to Boston and from there back to Albany. You see the point

there. It was treated as rather amusing that the idea of including a part of New York State with the New England bank should be considered, yesterday; but Albany is 202 miles from Boston and 169 miles from New York, and everything that comes down through the northern part of New York comes through Albany, so it would not be at all impracticable to include any portion of New York that you wanted to north of the New York Central Railroad. It comes through that channel now anyhow, and it would not make very much difference which way it turned at the fork.

The Secretary of the Treasury: If you will submit any statistics you have, we would be glad to receive them.

Mr. Whiting: If you regard that as of any importance I will. If not, I do not care to submit them ,

The Secretary of the Treasury: I do not know what the nature of them would be.

Mr. Whiting: I mean the growth of Boston accounts.

The Secretary of the Treasury: Yes, you may submit any figures you desire.

STATEMENT OF E. MOODY BOYNTON.

Mr. Boynton: I happen to be the only living man who

can say truly that he was acquainted with Sampson Lloyd with his bank of five hundred millions, which you know was the largest in the world, whose guest I was, representing the great banks and boards of New York, in 1877, at the Board of Trade in Great Britain; and I was later the guest of some of the leaders in England, through this great man, and the representatives of Queen Victoria.

I have this to say, that in private conversation for one hour with this great man he took up the matters of my country as they existed, and he said "I wonder you do not copy France, as you are so close to her. She has had no panic for 100 years. I wonder that you have not accomplished that freedom from panics that she has accomplished."

Now, sir, we are indebted to the President of the United States for the practical adoption of that system. France is not one eighth the size of our country. It is perfectly proper to have eight or twelve regional banks. I have only a word to read in regard to Boston. I know it is a pleasure to you, coming from Georgia, to know that here in this place of eight generations, to which our people are returning, that you are sitting in a place likely to be one of the most important in the future of human history of

the world. Right where we are the waves used to dash, and where all our city extends, the ocean used to come and go, within my remembrance. Into all these places where you stop, at the Plaza and all these vast regions, the ocean came in.

The President and his Cabinet may be assured of their increasing appreciation by conservative New England. The welcome of the greatest Secretary of the Treasury by all our people is but an expression of their deep gratitude to the President and his Cabinet for the great boon of the regional banks and the currency bill. They will prove an era of continued prosperity, expanding without panic for centuries to come. They will make the name of Wilson, of Bryan and especially of McAdoo immortal.

There has never been any question that here one of the largest banks of the republic will be established and expand. Here where the wealth and the population equal the Dominion of Canada, where a thousand billion dollars of investment wealth, and a larger amount of business unite from six states in this great commercial metropolis, they should all be united with one great regional bank. The six states of New England are one and forty millions from them

descended are steadily returning to their beautiful sea coast and mountain homes. They revive the genealogy of eight generations. They will build here a city for the future worthy of its matchless harbor and its position two hundred miles nearer Europe.

Just a word, if you will permit me. I was asked by this great man why Boston, with her matchless harbor, nearer Europe, and selected by Great Britain as the great port of America, has failed of her high destiny. I said, of course, they are not perfect, and they drove away the commerce and destroyed their railway connections that connected the waters of the west with Boston, and refused the \$50,000,000 tendered by the Barings in a critical time, and it crippled them. They are now getting ready to recover.

Our harbor with its two arms and extending one hundred miles into the stormy sea gives thirty miles broad entrance and shelter in every commerce. Her sons are so individual they quarrel and send it hence; they print newspapers principally for advertising, local goods for money, but we will rouse them to a new life and duty by the aid of this great act here where free schools and free government had birth, where the home of Chief Justice Sewall who proclaimed

liberty were than two centuries ago still stands; here where from this harbor went forth the heroes that captured a thousand ships in the wars for our independence and made Lexington and Bunker Hill effective; here where the prelude to the American Constitution and the North Western territory act that gave freedom to the continent were written. The spirit of progress and liberty is not dead; the spirit of sectionalism is dead. The great heart of New England goes out to the great president and his Cabinet with rising tide at each achievement for the liberty of all men and the prosperity alike of the poor and the rich, championed by the great administration so ably represented here today.

"No step backward" is the motto of New England. Here where you meet the salt sea spray once broke and still dampens our palatial warehouses, and no hostile fleet ever dared to enter it since the fleet sailed away from the hostile guns planted by our patriots on Dorchester Heights in 1775. We stand at the dawn of universal peace of world-wide brotherhood, of prosperity that shall give peaceful homes and happy conditions for the uncounted billions who shall crowd earth as it becomes the new heaven by human progress. This great step of currency reform and

banking union, is the greatest in history. It is modelled after the Bank of France in part, and each of its ten banks will have a larger space to serve than that Republic's .

Let us rise to the occasion, and instead of strangling enterprise, which from this spot extended the railways across the continent, and then gave them to New York, let us recall and increase our union and enterprise and extend our swifter ten fold more economic roads, now under consideration by the National Government until our single rail trains shall connect the oceans in a day and carry the freight of a continent at less than the cost of water transit to every city and town within a week where now it is but one mile per hour. Let us uphold the great financial men who seek to give us liberty and a special praise is due to Senator Weeks who not unwisely preferred one great bank, like the Bank of France with a hundred branches.

The Secretary of the Treasury: We thank you, Mr. Boynton.

George Graham.

STATEMENT OF GEORGE GRAHAM.

The Secretary of the Treasury: Mr. Graham, you are the president of the International Trust Company, of Boston?

Mr. Graham: Yes. Mr. Secretary, I do not think I had better add a single word to what has already been said in regard to the location of a Federal Reserve Bank in New England.

Inasmuch as I am president of a large trust company, the International Trust Company, I should like to know if you have arrived at that stage of the inquiry where you are able to suggest an additional designation, or a name for a trust company that comes in under the new currency act? For instance, our name is the International Trust Company. I should like to know whether it is to have a prefix or an addition to its name, to indicate that it comes in under the new currency act.

The Secretary of the Treasury: You mean, if you come into the system, whether any alteration of your title is necessary?

Mr. Graham: Yes.

The Secretary of the Treasury: I do not think that matter has been considered at all. It is a subject for the Federal

Reserve Board to pass upon after it is organized; but at the moment no change of name is necessary, if you should come into the system.

Mr. Graham: I think we ought to have something to designate it, otherwise there is no apparent distinction between a trust company that comes in and one that stays out.

The Secretary of the Treasury: You can print on your letterheads and put on your windows the statement that you are a member of the Federal Reserve System. It is easy enough to disseminate the necessary information on that point. I do not think any change in name will be necessary although I would not care to be quoted as having rendered ^{on} an official opinion/that subject. It is a matter that will have to be dealt with later on. For the moment, nothing of that kind is necessary.

The Secretary of Agriculture: Nothing seems to be contemplated in the law.

Mr. Graham: I should think they would find it necessary to put on the word "sovereign", or something of that kind. Further than that I have nothing which I desire to say. I

thank you.

STATEMENT OF GEORGE H. TOWLE.

Mr. Towle: Gentlemen of the Organization Committee, I am Chairman of the Regional Bank Committee of the Chamber of Commerce.

I desire to submit for the consideration of the Committee the following letters and telegrams which have been received from various chambers of commerce and other important bodies.

The Secretary of the Treasury: You may submit them, and they will be made a part of the record.

Mr. Towle: These telegrams and letters are as follows:

"Attleboro, Mass. 9th Jan. 1914.

James A. McKibben, Sec'y.,

Boston Chamber of Commerce,

Boston.

Other business appointment makes it impossible for me to attend you hearing today. Am strongly in favor of Federal Reserve Bank for New England to be located in Boston. Heartily endorse your committee's report on this subject.

Frank Mossberg,

Pres. Board of Trade."

"Fitchburg, Mass. Jan. 9, 1914 "

Jas. A. McKibben, Secy.,

Chamber of Commerce, Boston.

The Fitchburg board of trade and merchants association believes that it would be for the real benefit of not only New England but the entire country to have one of the reserve banks in Boston. The reputation geographical location and traditions of New England certainly entitle us to one of the banks. I very much regret my inability to attend the meeting this morning.

F. O. Nichols, President, "

"Wakefield Merchants

And Business Men's Association.

George H. Taylor, President	EXECUTIVE COMMITTEE
George F. Lucas, 1st Vice President	Frank F. Cox,
Louis P. Gowing, 2nd Vice President,	Ashton H. Thayer,
J. Warren Poland, Secretary and Treasurer	J. Robert Reid

Wakefield, Jan. 6th, 1914.

Mr. J. A. McKibben,

Sec. Chamber of Commerce.

At a meeting of the Wakefield Merchants and Business men's Association it was voted unanimously that this association heartily endorse the action of the Chamber of Commerce of

Boston, in their endeavors to have Boston on the map, and that it would be for the Best Interests of New England to have a Regional Bank established at Boston.

A committee was appointed to attend the hearing before the Org. Com. at Boston 9-10 Jan. Mr. H. M. Dolbear, Thos. Hickey, P. H. Atwood, C. H. Winship, J. S. Griffiths, the last 2 I think are members of the chamber.

I am

Yours truly,

J. W. Poland, Sec."

Norwood, Mass. January 7, 1914.

The Boston Chamber of Commerce,

Boston, Mass.

Gentlemen:

Your communication of January 1st, addressed to the Norwood Board of Trade, concerning the establishment of a regional reserve bank for New England at Boston, was duly received and was presented at the regular January meeting held last evening.

The matter was placed in the hands of a special committee, consisting of the undersigned, and whether we are able to attend the hearing or not we wish to place our-

George H. Towle

selves on record in favor of a reserve bank of normal size for New England to be located at Boston.

In the spirit of your circular we believe that such an institution would better serve the needs of this vicinity, would keep in closer touch with New England interests, would inspire greater confidence in the Federal Reserve scheme, and more surely afford relief when actually needed than a much larger bank outside our own boundaries.

We think this the intent and spirit of the act and that by the carrying out of its provisions along this line the Country will be more certain of a successful issue in the new Federal Reserve Act.

Most Respectfully yours,

Edson D. Smith,

Henry I. Everett,

Harold W. Gay,

Special Committee."

"North Berwick National Bank

North Berwick, Maine, Jan. 6th, 1914,

To the Reserve Bank Organization Committee:

At a regular meeting of the directors of this Bank a vote was taken expressing the wishes of the directors, that

George H. Towle

Boston might be chosen by you for the location of a regional bank; and I was instructed to transmit to you their desires.

Respectfully,

H.S. Austin, Cashier."

" ATTLEBORO BOARD OF TRADE.

Attleboro, Mass., January 2, 1914.

Mr. James A. McKibben, Sec.,

Boston Chamber of Commerce,

177 Milk St.,

Boston, Mass.

Dear Sir:-

Your circular letter of January 1, received.

The writer is strongly of the opinion that one of these regional banks should be located in Boston, and he is also in favor of New England as one of its districts.

According to the sentiment here throughout the Town of Attleboro the Currency Bill is favored, especially by those who have studied the same so as to understand it.

If you will kindly inform the writer at what time on January 8, the hearing is to be held, he will notify some of the business people here, who will be pleased to be

George W. Towle

present.

Yours truly,

Frank Mossberg,

President."

"BRATTLEBORO BOARD OF TRADE.

Major C. Houghton, President
George L. Dunham)
J. Edgar Mellen) Vice Presidents.
Charles A. Boyden, Treasurer
Carl S. Hopkins, Secretary

Brattleboro, Vt. January 8th, 1914

Mr. James A. McKibben,

Secretary of the Boston Chamber of Commerce,

Boston, Mass.

Dear Mr. McKibben,

Your letter of January 1st, also your night letter of January 7th, at hand.

Have appointed, as representative of our Board of Trade, to attend the hearing of the Reserve Bank Organization Committee, in your city to-morrow, Jan. 9th, Mr. W. H. Brackett, Cashier of the Peoples' National Bank of this town.

I think that there certainly should be a Reserve Bank

George N. Towle

in Boston for all of New England, and trust that the Committee will feel that they should establish such a Bank.

Yours very truly,

M. C. Houghton."

"M.L. Slugg,
President.

E.B. Gilchrist
Secretary

C.W. Wescott,
Treasurer

BELFAST BOARD OF TRADE.

Belfast, Maine, January 6th, 1914

Boston Chamber of Commerce,

177 Milk St.,

Boston, Mass.

Gentlemen:-

We herewith acknowledge the receipt of the Report of the Special Committee on Regional Reserve Bank and the Belfast Board of Trade, unanimously, endorses the recommendation that New England should be made a Federal Reserve District and that a Federal Reserve Bank should be established in Boston.

We believe this to be the best way in which to serve the people of New England and are therefore glad of an opportunity to express our opinions on this very important

George H. Towle

subject.

This opinion you may convey to the Reserve Bank Organization Committee at its hearing on this subject January 2th.

Very truly yours,

The Belfast Board of Trade,

By M. L. Slugg,

President."

The Secretary of the Treasury: If there are any other gentlemen present who desire to be heard briefly, we shall be glad to hear from them.

STATEMENT OF CHARLES G. ALLEN

Mr. Allen: Gentlemen, of the Organization Committee, I represent the Portland National Bank of Portland, Maine.

I do not wish to take your time except to say that our institution is in favor of a Reserve Bank in Boston. We think we can be better served by it than by one in New York. I think all the arguments have been presented that are necessary.

The Secretary of Agriculture: Would it change the course of your business any?

Charles G. Allen

Mr. Allen: The mail facilities will be better, and the express facilities will be better reaching Boston, and I assume that there will be a clearing feature connected with this system which will be of value to us.

The Boston system of clearing checks for New England is very helpful to us, and we hope that something as good will be arranged by the Federal system.

The Secretary of Agriculture: Has your bank had any connections with Albany?

Mr. Allen: We collect a large amount through Albany, and also through Philadelphia.

The Secretary of Agriculture: Would that be discontinued?

Mr. Allen: We expect it would. We hope that that may all be avoided by the Boston facilities.

The Secretary of the Treasury: Assuming for instance that we had a bank at New York, would you not be more inconvenienced by making your clearings through that bank with branches in the largest cities in New England, than you are by the present system of clearing through Albany, or collecting through Albany and Philadelphia?

Mr. Allen: Perhaps as well, but I think a collection system in Boston, for Maine and for all New England, would be

Charles G. Allen

much better than any system that could be arranged in New York, if I understand you correctly,

The Secretary of the Treasury: That may be, but I was only asking, as between the present system and a bank in New York. I wanted to see how much an improvement even that would be over the present conditions?

Mr. Allen: I think the present conditions would be better for us than to depend upon New York.

The Secretary of the Treasury: That is, to send them to Philadelphia, right through New York?

Mr. Allen: No, I mean to send them to Albany, for New Hampshire, Massachusetts and Vermont. Albany would handle our items better than New York, as far as that territory is concerned.

The Secretary of the Treasury: As far as the rest of the country was concerned, would you be better off at New York than at Philadelphia?

Mr. Allen: Yes.

The Secretary of the Treasury: Does any one else desire to be heard? If there are no other gentlemen to be heard, the hearing at Boston will be closed.

Whereupon, at 11.05 o'clock A.M., the Committee adjourned to meet in Washington, D.C. on Monday, January 13, 1914.