

STENOGRAPHER'S MINUTES

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THE RESERVE BANK ORGANIZATION COMMITTEE.

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

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At Washington, D.C.

Date January 16, 1914.

Law Reporting Company, Official Stenographers  
115 BROADWAY, NEW YORK  
TELEPHONE, 2820 RECTOR

Washington, D.C., January 16, 1914.

The Organization Committee met pursuant to adjournment  
at 9:00 A.M.

**Present:**

The Secretary of the Treasury.

The Secretary of Agriculture.

**Appearances:**

**APPEARING FOR CHARLOTTE, N.C.**

Charles A. Bland, Mayor,  
Charlotte, N.C.

H. M. Victor,  
Charlotte, N. C.

Cameron Morrison,  
Charlotte, N.C.

W. C. Wilkinson,  
Charlotte, N.C.

T. T. Allison,  
Charlotte, N.C.

**APPEARING FOR PHILADELPHIA, PA.**

Levi L. Rueg Chairman,  
Clearing House Committee

Caleb M. Sherward, Vice President,  
Wilmington Trust Co.

Winfield H. Minch, Vice President,  
Bridgeton National Bank,

Montgomery Evans, President,  
Norristown Trust Co., also  
President Pennsylvania  
Bankers Association.

H. S. Whitman, Jr., V.P.,  
Clearfield National Bank

John C. Carter, President,  
Fulton National Bank,  
Lancaster, Pa.

Samuel McCracken, Cashier  
People's Bank,  
Wilkes-Barre, Pa.

W. H. Painter, Cashier,  
West Branch National Bank  
Williamsport, Pa.

**APPEARING FROM WINSTON-SALEM, N.C.**

H. E. Fries, Vice President,  
Board of Trade.

J. W. Fries, President,  
Peoples National Bank

G. W. Maslin, President  
Merchants National Bank

J. L. Ludlow, President,  
Board of Trade.

**APPEARING FOR PITTSBURG**

Charles McKnight,  
Clearing House Association

Logan McKee, Secretary,  
Chamber of Commerce

William H. Stevenson,  
President Chamber of Commerce

Stephen G. Porter,  
Pittsburg, Pa.

L. C. Bihler,  
Pittsburg, Pa.

Joseph F. Guffey,  
Pittsburgh, Pa.

John B. Barbour,  
Pittsburg, Pa.

W. S. Linderman,  
Pittsburg, Pa.

W. W. Ramsey,  
Pittsburg, Pa.

Hon. James Francis Burke,  
Member of Congress  
from Pennsylvania

Hon. M. Clyde Kelly,  
Member of Congress  
from Pennsylvania

Hon. John M. Morin,  
Member of Congress  
from Pennsylvania

Hon. Andrew H. Walters  
Member of Congress  
from Pennsylvania

Hon. Woods N. Carr  
Member of Congress  
from Pennsylvania.



Joseph A. McNamee, President  
Chamber of Commerce,  
Atlantic City, N.J.

Carlton Godfrey, President,  
Guarantee Trust Company,  
Atlantic City, N. J.

Hon. William Riddle, Mayor  
Atlantic City, N.J.

The Secretary of the Treasury: Gentlemen, will you please come to order. Is this Charlotte that we are to hear this morning?

Mr. E. Y. Webb: It is, gentlemen, and if you will permit me, I represent the Charlotte district. I just want to say three words. The citizens of Charlotte are here to represent that splendid city, in an effort to secure a regional bank for Charlotte. We are not here in such large numbers as Richmond, because we understood that you were a little crowded for room up here, and we did not want to bring so many auditors, but the Mayor of the city, Dr. Charles A. Bland, is here, and I desire to present him to you gentlemen and he will be the Master of Ceremonies.

The Secretary of the Treasury: We will be very pleased to hear from Mayor Bland.

#### STATEMENT OF CHARLES A. BLAND.

The Secretary of the Treasury: Mr. Mayor, I do not know whether you heard the remarks we made to the Richmond delegation.

Mr. Bland: No, sir, I did not.

The Secretary of the Treasury: I might say very briefly

the the Committee desires to confine itself strictly to the questions before it of dividing the country into not less than eight nor more than twelve districts, and to determine the location of the Federal Reserve Bank in each one of these districts. It is an economic problem and almost wholly economic, and what we desire are certain facts relating to the claims of certain cities, which we can generally best elicit by a certain line of questions. Now, we know about Charlotte's position on the map. We know it is on the map very largely, and we know also its railroad facilities and all that sort of data we have. I only mention these things to save time, so that the question of its bank clearings and the courses of trade and commerce within a given district are the matters upon which we most desire information. Now, anything that you can give us along that line will be useful.

Mr. Bland: Now, Mr. Secretary; I understand that you are familiar with the geographic situation.

The Secretary of the Treasury: Yes; I am sure Secretary Houston is at any rate.

Mr. Bland: I wish to say, gentlemen --

The Secretary of Agriculture: May I ask, before you

start, whether you have made out any map or laid out a district?

Mr. Bland: Yes, sir.

The Secretary of Agriculture: To be tributary to Charlotte.

Mr. Bland: We have one with us. It will be presented a little later.

The Secretary of the Treasury: We would like to start with that, to see what your assumed district is.

Mr. Bland: From a geographical standpoint, we think we are about the centre of the situation. If there is any question you wish to ask me along that line --

The Secretary of Agriculture: I am impressed with the remark that old Governor Roberts of Texas made at Tyler, a little town there. They asked him what he could say about it, and he said he could say it was in the centre of the surrounding country.

Mr. Bland: We are like Rome. The hubs extend in all directions.

The Secretary of the Treasury: Now, Mr. Mayor, you have included in this district everything south of Pennsylvania and the Ohio River, and as far west as --

The Secretary of Agriculture: Mississippi.

The Secretary of the Treasury: No, he does not quite go to Mississippi. Oh, to the Mississippi state line in Tennessee. Now, that would put Louisville, for instance, in this district, and many other large cities in the country, and also the West Virginia district. You would have Washington sending all its exchanges down to Charlotte; Richmond the same way, Lynchburg and other large cities. Now, the trend of exchange and commerce is northeastward altogether, is it not, in this section?

Mr. Bland: Very largely in the east.

The Secretary of the Treasury: You would, therefore, be reversing the ordinary course of things if we attempted to put a Reserve Bank in Charlotte?

Mr. Bland: No, sir, I do not think that. I presume you would have one in one of the largest cities in the north, but of course it is very much based on how you laid out your lines yourself. You gentlemen who have the division of those regions, but I think, after going into the situation very carefully it would be an ideal place for it.

The Secretary of Agriculture: Do you include this area you have marked out here as the district that Charlotte would serve.

Mr. Bland: You mean all of these outlying states?

The Secretary of Agriculture: Yes.

Mr. Bland: That is the district it could serve. That will be explained to you later. Of course, we do not expect to take in some of those territories here (indicating on map).

The Secretary of the Treasury: I assumed this map represented the district you had in your mind, to be served by Charlotte?

Mr. Bland: Not entirely.

The Secretary of Agriculture: What would you include in the Charlotte district?

Mr. Bland: Well, we could take Virginia, North Carolina, South Carolina and Georgia, Florida, and probably up to Alabama.

The Secretary of Agriculture: What about Tennessee?

Mr. Bland: And Tennessee and Kentucky we could, too, but that was not our contemplation. We were going to have the eastern coast line --

The Secretary of Agriculture: Could you be specific?

Mr. Bland: Virginia, North Carolina, South Carolina, Georgia, Florida, and part of Alabama.

The Secretary of the Treasury: What part?

Mr. Bland: Well, the part adjoining Georgia. I am assuming that there might be a bank in New Orleans.

The Secretary of the Treasury : Now, have you made any figures on the capitalization that such a bank would have, and deposits?

Mr. Bland: I have some. Mr. Victor here is prepared with all of those figures.

The Secretary of the Treasury: Then, Mr. Mayor, if you have anything further to add, we will be glad to have it.

Mr. Bland: I might add too that that we have wonderful mail facilities there. Have about 52 trains a day, and we have, including interurban, 70 trains a day. Then, it being a geographical centre and I do not say that Atlanta or Richmond — I think you know that all countries when they get into some controversy, usually meet on common grounds to settle their differences, like the Japanese and Russians. I think it would be more convenient for Richmond to come to Charlotte than to go to Atlanta and more convenient for Atlanta to come to Charlotte than go to Richmond. No, I think we have a strategic point from a geographical situation. Then, I assume that we could take part of Tennessee in there easily. I presume you will have a bank in the west

somewhere, probably handle these states, but you know we have trains from Asheville, Knoxville and all those points.

The Secretary of the Treasury: Would you take Chattanooga too?

Mr. Bland: Yes, sir, we could do it, but the points that I am specific about are Virginia, North Carolina, South Carolina, Georgia, Florida, and part of Alabama.

The Secretary of the Treasury: That would not give you a very strong bank?

Mr. Bland: Well, we could take Kentucky and Tennessee. Of course, I do not know how many divisions you gentlemen will make. That is the thing that puzzles me.

The Secretary of the Treasury: But we want to be informed about it. In the study of this problem you cannot just apportion a part of the territory you would like to have. That division has to be made with reference to the other districts of the country.

Mr. Bland: I understand that.

The Secretary of the Treasury: Because there is an intimate relationship between these districts and you cannot disregard the whole problem.

Mr. Bland: Not at all.



The Secretary of the Treasury: So that all we assume when the district is suggested to us here is that the people who have laid it out have done it upon the assumption that we are going to have eight, nine or ten, or eleven or twelve districts in the country.

Mr. Bland: That is what I assume.

The Secretary of the Treasury: Now, what is the assumption in that regard.

Mr. Bland: In that regard we could really take hold of a great deal of this.

The Secretary of the Treasury: No, I mean what number of districts have you assumed for the country?

Mr. Bland: About twelve. I really have no ground for that assumption, except my own idea.

The Secretary of Agriculture: You think there should be twelve.

Mr. Bland: Yes, sir.

The Secretary of the Treasury: What is that based on?

Mr. Bland: I just based it on the idea that the country would probably require that many. Based on taking care of the business of the whole United States.

The Secretary of the Treasury: Now, if you were settling

that problem, Mr. Mayor, would you settle it upon a mere assumption of that kind?

Mr. Bland: No, sir, I certainly would not.

The Secretary of the Treasury: We have got to get some facts here; that is the point.

Mr. Bland: I presume if you want to go into the banking department of it more carefully, you would like to consult Mr. Victor.

The Secretary of Agriculture: What is the population of Charlotte?

Mr. Bland: About 45,000. If there is any question you want to ask me, I will be very glad to answer it.

The Secretary of the Treasury: I think if Mr. Victor has the statistics, it will probably be best to call him.

#### STATEMENT OF H. M. VICTOR.

The Secretary of the Treasury: What is your business?

Mr. Victor: President Union National Bank of Charlotte, and Secretary of the Clearing House of Charlotte.

The Secretary of the Treasury: Now, Mr. Victor, will you kindly state to the Committee what district it is that you have in your mind that Charlotte should serve, and what

number of districts for the country as an entirety you have assumed in making that division?

Mr. Victor: That map does not represent the division. We just had that for an exhibit along the line of some figures we are going to give.

The Secretary of the Treasury: Now, what is the district you have in mind for Charlotte?

Mr. Victor: Virginia, North Carolina, South Carolina, Georgia and Florida, and the eastern portion of Tennessee, eastern portion of Alabama, and I have made figures for that purpose. The capital and surplus of that territory is \$119,014,000. The amount of money borrowed last fall was \$25,915,000.

The Secretary of the Treasury: You mean your re-discounts?

Mr. Victor: Re-discounts and bills payable together. The deposits of those banks were \$407,000,000, which would give a capitalization -- well, I will go further. The total figures of the above states will be slightly reduced, that is, if Tennessee and Alabama --

The Secretary of the Treasury: Is this based upon national bank capital alone?

Mr. Victor: Yes, sir, but we are only supposing that

the western half of Alabama and Tennessee will be cut off, which will reduce these figures slightly, but will be more than made up by the number of state banks which will undoubtedly come into the organization.

The Secretary of Agriculture: Can the state banks of North Carolina subscribe under existing laws?

Mr. Victor: I think so.

The Secretary of the Treasury: Is there any question about that.

Mr. Victor: No, I have not heard any question raised at all. In our Clearing House they are debating it. If there were any question about it, some of them have indicated their determination to do so, and I suppose they found that they could.

The Secretary of the Treasury: Of course, wherever they are confronted with the lack of authority to subscribe for stock, they can become national banks.

Mr. Victor: Certainly. We will do that, or join, one or the other, but we figure that with \$20,000,000 of reserve deposits and over \$6,000,000 of capital, that this division would give, that the territory we have indicated there would afford plenty of capital for reserve banks.

The Secretary of the Treasury: Did you take Washington into that characterization?

Mr. Victor: No, sir, we do not.

The Secretary of the Treasury: Come to the district line.

Mr. Victor: Come to the district line.

The Secretary of the Treasury: Take the whole of Virginia.

Mr. Victor: Whole of Virginia, yes, sir, Now, I have got some other facts here, if it would be interesting to you.

The Secretary of the Treasury: Go ahead.

Mr. Victor: Charlotte is in the immediate centre of the largest cotton manufacturing district in the south. 90 per cent of the production of cotton yarns and cloth of the south is manufactured within a radius of 150 miles of Charlotte. It is also a large market for the handling of raw cotton, and the centre of a large production of cotton seed oil and other by-products of cotton. Already Charlotte conducts an immense amount of business with all points in the district outlined, and with a Reserve Bank would be conveniently situated to serve with despatch and convenience the wants and needs of the entire district. The established custom and trend of business has for so long been in favor of New York, Philadelphia and Baltimore, that it would be

presumptuous for any city now in this district to claim to control or have any overwhelming share of the general banking transactions of the southeast. The very nature and object of the formation of the Reserve Banks is to create such a centre of financial operations for which Charlotte is most admirably adapted, by reason of location, size, business surroundings and the immense amount of commerce carried on to the immediate northeast and south. Richmond on the north, and Atlanta on the south offer a wonderful array of figures, showing why each point should be selected, but Charlotte, being an equal distance immediately between the two, offers the sum total of both their figures and advantages, and in addition the wonderful and rapidly developing territory intervening, of which Charlotte is the centre. Charlotte is the centre geographically, the centre of population and the centre commercially of this district.

The Population of this district is of the same racial decent and it could be said also, for the most part, engaged in the same lines of pursuit, so that their business shows such a similarity in character that it would make it most convenient and most practicable to have it handled through one Reserve Bank.

The Government already owns valuable and admirably located property in Charlotte, known as the United States Mint, recently used as an Assay Office, and this property has long been associated with the financial operations of the Government and would afford a splendid home for a Reserve Bank for this district. In the district that we have referred to, Charlotte is within 12 hours ride, or one night's ride by mail of every city of importance except Tampa, 18 hours; Birmingham, 14 hours; Montgomery, 14 hours; Chattanooga, 15 hours. The following cities are within 12 hours of Charlotte and each would be within a night's ride, by mail: Lynchburg, Richmond, Wilmington, Winston, Asheville, Columbia, Spartanburg, Atlanta, Savannah, Danville, Norfolk, Raleigh, Greensboro, Knoxville, Greenville, Charleston, Augusta and Jacksonville. Charlotte is almost in the centre of the district outlined, being very slightly to the north of the centre. The banks of the south, without exception, desire that Reserve Bank <sup>be</sup> to the north of them, rather than to the south.

The Secretary of the Treasury: How about the banks to the north of this point.

Mr. Victor: I say that the banks desire --

The Secretary of the Treasury: The banks to the south of this point, you say desire, but the banks to the north of this.

Mr. Victor: They do not<sup>2</sup>. We found, I think, that is pretty generally the case, but it strikes me that the very intent of this is to decentralize the proposition as it has been, and to make, regardless of where this Reserve Bank is located, to make that probably the centre of that district and it will soon become so, if the plans and provisions of this Act are carried out as intended, regardless of what has been the former custom -- former trend of business even.

The Secretary of Agriculture: Just go ahead.

Mr. Victor: I am very near through. The mail facilities from Charlotte are excellent, mails going north, south, east and west on evening trains reaching 12 hour cities the next morning. We present you here with a map showing Charlotte's geographical location in relation to the district and showing distances and mail receipts and deliveries.

The Secretary of the Treasury: Now, you have marked out a territory here that nominally is an outlying territory?

Mr. Victor: Yes, sir.

The Secretary of the Treasury: Do you think that is a



wise arrangement?

Mr. Victor: No, sir, but as far as I can figure it out, and I have gone over it very carefully, expecting possibly those questions would arise in your mind, and it cannot be avoided.

The Secretary of the Treasury: Could it be avoided by attaching more territory north of it?

Mr. Victor: Unless you would destroy the convenience of accessibility.

The Secretary of the Treasury: But would it? Is not the customary course of business and the convenience of business best served by an arrangement -- you do not dislocate the ordinary course of those transactions at all, by having a Reserve Bank located further to the northeast?

Mr. Victor: No, we do not dislocate them, but as I said just now, your object as I presume is to make it not necessary to go to those points. We have had to go north. If we follow out the plan of this bill, it will be centralized and whatever points you name will be the financial centre of that district.

The Secretary of the Treasury: Headquarters of the bank?

Mr. Victor: Headquarters of the bank.

The Secretary of Agriculture: It would not change the fundamental economic conditions of that community. would it, simply putting this reserve banking power there.

Mr. Victor: I think so.

The Secretary of Agriculture: To what extent is Charlotte now a financial centre?

Mr. Victor: Well it has a large amount of deposits from the immediately surrounding banks. We have not any large amount of business outside of our immediate territory.

The Secretary of Agriculture: Do you pay interest on deposits?

Mr. Victor: No, sir.

The Secretary of Agriculture: None of the banks?

Mr. Victor: I think some of the banks pay interest to other banks.

The Secretary of Agriculture: Do you know what the rate is?

Mr. Victor: Four per cent we pay on time certificates of deposit. I think not over three per cent on deposits.

The Secretary of the Treasury: What is the entire banking capital of Charlotte?

Mr. Victor: \$4,000,000.

The Secretary of the Treasury: What are the deposits?

Mr. Victor: About \$8,000,000.

The Secretary of Agriculture: You do pay from three to four per cent interest at present?

Mr. Victor: Yes, sir.

The Secretary of the Treasury: On bank balances?

Mr. Victor: Yes, sir.

The Secretary, of the Treasury: Thank you.

**STATEMENT OF MR. CAMERON MORRISON.**

Mr. Morrison: I have not heard what has been said by all the gentlemen who proceeded me, and I may repeat something, but I will try to be brief, however.

The Secretary of Agriculture: What is your name and business?

Mr. Morrison: Cameron Morrison: I am an attorney at law.

The Secretary of Agriculture: You know the banking and commercial situation, and the facts relating thereto?

Mr. Morrison: I could not say that I know it. I have some general knowledge, I hope of conditions down there.

The Secretary of the Treasury: Have you studied the immediate problem confronting the committee, which is one relating solely to the division of the country into these districts and the location of the headquarters bank so as to conserve as far as practicable the convenience of business in the district and preserve the customary course of trade?

Mr. Morrison: I have thought a great deal about it as related to our section. I have not undertaken to work out in my head any scheme of division of the entire country.

The Secretary of the Treasury: That is exactly what we want.

The Secretary of Agriculture: Can you give us any testi-

mony on the course of commercial transactions and convenience in banking transactions?

Mr. Morrison: Of course I think I can, or I would not be here.

The Secretary of the Treasury: You are a lawyer and so am I, so you know it is very necessary to test the qualifications of a witness.

Mr. Morrison: Yes, and about the best way to do that would be to hear what he has to say, if he does not take too long about it.

The Secretary of the Treasury: But there are some preliminary questions, and if the witness shows in advance that he does not know what we are inquiring about, I do not think he shows that he is qualified.

Mr. Morrison: Yes, that is true.

The Secretary of the Treasury: So that on the question immediately confronting us, of the banking and business situation here, and the statistical data which would be useful to the Committee, we always like to know whether we can get that information.

Mr. Morrison: Well, sir, as I say, I have thought about it, and thought about it very seriously, as related to our section there, and I have some views which I would like

to state to you.

The Secretary of the Treasury: If you will state just briefly, we will be glad to hear from you.

Mr. Morrison: In the first place, I think our people generally have this opinion, that that whole cotton country down there ought not to be put together, and our regional bank ought not to embrace too much of the cotton belt, because that cotton crop, as you well know, requires a large amount of money, and at the same time, Now the territory suggested by Richmond, and the territory suggested by Mr. Victor, embraces Georgia and Florida and South Carolina and North Carolina. In our State only about one-third of it is devoted to the cultivation of cotton. We have varied industries. Virginia has no cotton and the Tennessee territory touched has no cotton there. We think the business of that district is varied enough not to make too large a demand in that district to move the cotton crop. We do not want to go with Atlanta, because we cannot think of any scheme under which the country can be divided up and make a district around Atlanta that will not throw too much of the cotton belt together.

The second section of this Act seems to require

that these districts shall be laid out with due regard to the convenience and customary course of business. That language has no reference to the location of the site of the district bank, as I comprehend it. It refers to the district. Now we are very anxious to have --

The Secretary of the Treasury: Do you not think that the convenience and customary course of business in the district has relation to the location of the headquarters bank, especially in a large area of this character?

Mr. Morrison: I do, sir, but I do not agree with the thought expressed by the representatives of Richmond here, that it has so much to do with it as they seemed to think, that the customary course of business should control it. I do not see how the location of the regional bank would have anything to do with the regular channel of business. Convenience, it seems to me, should be the controlling principle upon which it should be located, I cannot for the life of me see -- it is not going to be a local institution -- I cannot see why putting a bank in a large city will help the bank to discharge its functions to the whole district any better than in a small city, if it has superior accessibility. I cannot see why it should.

The Secretary of the Treasury: You consider accessibility, then, the only consideration?

Mr. Morrison: Well, I would not say the only consideration, but the prime consideration. Now in our district there is no supreme financial city. The proposition at Richmond, Baltimore or Atlanta has such financial supremacy in our district, as to give it the right to have this bank located there in order not to interfere with the regular channel of business, cannot be sustained.

In our state of South Carolina, we do a large business with other cities, it is true. But while the Virginia cities have more banking capital than we have, our state has more population, and we have more property values, and the value of our farm products exceeds theirs --

The Secretary of the Treasury: You realize that the Act provides for the establishment of branch banks in the district.

Mr. Morrison: Yes.

The Secretary of the Treasury: Would not Charlotte get every possible convenience from the establishment of a branch bank there that she would with the establishment of a headquarters bank?



Mr. Morrison: I have tried to think of any particular advantage in the establishment of this bank, to be frank about it, other than by just having that many worthy gentlemen located there, and that business enterprise located there, and to save my life, I cannot think of any.

The Secretary of the Treasury: So far as the question of these different cities goes, it is a question of local pride and prestige?

Mr. Morrison: Local pride and prestige.

The Secretary of the Treasury: That is exactly what the Committee cannot consider, and we stated that before we started.

Mr. Morrison: Yes. Now I think this, we do not like the assumption of Richmond or Atlanta, that they have a right — I believe one gentleman stated here yesterday that God had given them a right —

The Secretary of the Treasury: No assumptions go with this Committee, so you need not worry about that.

Mr. Morrison: And after thinking about it, we concluded that Charlotte had as much right to expect this bank to be located there for this district, if it is created anything like is being discussed, and it is the desire, I think, of all the people of that section. I cannot see why Charlotte

would not be just as good a place for the Government to put it, and why we would not have just as much right to it. But this much is true, that if it is situated in Charlotte for that territory, the accessibility is certainly very superior to what it is on either side of it.

The Secretary of the Treasury: We are familiar with that, of course; we know all about Charlotte's accessibility,

Mr. Morrison: Yes, and to be frank about it, it is upon that point almost entirely that we urge our case.

The Secretary of the Treasury: We do not need any argument upon that. I do not want to seem to cut you off, but I want to make it clear that of course the time of the Committee is so limited, and there are so many gentlemen to be heard, that we want to avoid argument on anything that is obvious.

Mr. Morrison: Well, sir, I believe if the Committee please, that is the only thought that I care to emphasize about it. As to the assets of the banks and all that sort of thing, we have a map here showing how easy it is to get in and out of Charlotte. Of course we know our claim to it depends entirely on the district, as to how the district

is first laid out, and we think that a careful investigation will disclose that there is no regular channel of business to any of these cities from that territory that gives them any supreme right to this bank, absolutely none.

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

Mr. Webb: I want to present Mr. Wilkinson, the Cashier of the Merchants and Farmers Bank.

#### STATEMENT OF MR. W. C. WILKINSON.

The Secretary of the Treasury: We can hear Mr. Wilkinson for a moment. What is your occupation?

Mr. Wilkinson: Cashier of the Merchants and Farmers National Bank at Charlotte. The assumption of Charlotte in applying for this regional bank, was that the territory mentioned would be laid out as suggested, otherwise we would have no claim to it. In all this territory the business naturally goes north, except Virginia. Virginia's business goes south. The majority of the banking business of Virginia is with North and South Carolina and Georgia, and most of the checks that they handle go south, not north, as does the balance of the territory

The Secretary of the Treasury: How about the reverse movement?

Mr. Wilkinson: Well, their business, their transactions, are almost entirely, in commerce and banking, with the territory south of them. In other words, they are sellers.

The Secretary of the Treasury: How about Richmond's business to the north? She must have very large transactions northward.

Mr. Wilkinson: Yes, but those transactions to the north originate through her ability to sell her commerce to the south.

The Secretary of Agriculture: Do you think a district I laid out as this is and embracing practically only states which are large borrowing states, should be thrown together and have a regional bank which would undertake to provide for it in normal times?

Mr. Wilkinson: I think that this territory could take care of itself, practically, and with the further assistance of the government deposits that I presume will be made with each bank, and the note issue that can be made, and the re-discounting features from one bank to another, this territory will be amply able to take care of the business which would naturally go to this regional bank.

The Secretary of Agriculture: Does it take care of itself now?

Mr. Wilkinson: No, they borrow north.

The Secretary of Agriculture: Would not they have to, in any case?

Mr. Wilkinson: They would have to borrow from the regional Reserve Bank.

The Secretary of Agriculture: The regional Reserve Bank would just have its proportion of its resources there.

Mr. Wilkinson: But these banks do not borrow an amount equal to the deposits with the northern Reserve Banks.

The Secretary of the Treasury: As I understand from the figures submitted a moment ago, you borrowed something like \$24,000,000 last year.

Mr. Wilkinson: Yes.

The Secretary of the Treasury: The resources of the district as you have laid it out, would not make it a district able to take care of itself when the extraordinary demand comes and the Secretary of Agriculture's question is addressed to that phase, whether or not it would be wiser to organize a district more varied in character and of larger resources.

The Secretary of Agriculture: Whether it would not be better for that district.

The Secretary of the Treasury: Yes, whether it would not be better for that district, or to have a smaller district with less varied industries, better able to meet the necessities.

The Secretary of Agriculture: And your experience would throw light on that question.

Mr. Wilkinson: I believe in times of stress, if we should have any trouble, that the provisions of this bill would make it so that this territory could be taken care of by any other territory. If there was a demand in that section for funds, the Government in the first place could shift its deposits from the section where it was not needed, to where it was needed.

The Secretary of Agriculture: But you would not want that to be the normal situation?

Mr. Wilkinson: No.

The Secretary of Agriculture: And are not your movements of trade down there in a certain sense abnormal; do you not have a very much larger movements in one season than in another?

Mr. Wilkinson: In part of North Carolina and South Carolina, and Georgia, it is a cotton section; but in Virginia they raise no cotton, and in Florida their movement is in the spring with the track product, and in eastern North Carolina it is the same way, strawberries and fruits; so that the lower and eastern part of North Carolina and Georgia and South Carolina, are the cotton sections and Virginia and Florida and eastern Tennessee and eastern Alabama --

The Secretary of Agriculture: Would you say as a banker that excepting in times of stringency that district would take care of itself?

Mr. Wilkinson: I think it would, with the Government deposits. Of course we are expecting that the Government would place some of its funds in this bank, and with that and the capital and deposits of the member banks, I should say it would be able to take care of itself, except in extraordinary times.

The Secretary of the Treasury: As a banker, alas, and assuming that this district were laid out, and dismissing local pride entirely in answering the question, and having regard only to what is best for that entire district, and having regard also to the customary course of business and convenience of business in the district, would you say

that Charlotte was the best place to put that bank?

Mr. Wilkinson: Absolutely.

The Secretary of the Treasury: You would?

Mr. Wilkinson: Without any reference to local pride at all. When this question was first broached by the bankers in Charlotte, I had not given it consideration, and I told them I did not think it was a proper place for it; but after studying the railroad connections and the location geographically and the trend of trade, I became thoroughly convinced that Charlotte was a proper place for this location.

The Secretary of Agriculture: What is the principal factor on which you base that opinion.

Mr. Wilkinson: The distance by train from the points that would be assigned to this territory.

The Secretary of Agriculture: Is Charlotte today in any sense a banking centre?

Mr. Wilkinson: It has the largest banking capital of any place in North Carolina or South Carolina, or any place between Richmond or Atlanta.

The Secretary of Agriculture: These Reserve Banks must of necessity have large clearances between each other.



Mr. Wilkinson: Yes.

The Secretary of Agriculture: And we will take Richmond, for instance, which would be the largest city in this entire district. Richmond already has large bank clearances with other banks to the northward. Now if a Federal Reserve Bank should be located at Charlotte, all that business would have to be sent back to Charlotte, and then cleared from there through Richmond again with the banks to the north?

Mr. Wilkinson: Yes.

The Secretary of the Treasury: Would you say that that was conserving the convenience and customary course of business?

Mr. Wilkinson: I would say that when this bank was established, Richmond would have comparatively small business with the banks north. Most of the business would be done with the Regional Reserve Bank.

The Secretary of the Treasury: But this is not going to prevent transactions with New York and Boston.

The Secretary of Agriculture: And the member banks also have that power.

Mr. Wilkinson: I would say Richmond would send the

business of Richmond -- more of it would go south today than goes north. I think possibly 75 per cent of the checks handled by the banks in the City of Richmond go south every day instead of north, and to that extent 75 per cent of them would be best served by having the bank in Charlotte, and 25 per cent by having the bank north.

The Secretary of Agriculture: Mr. Webb, you can submit anything else that occurs to you in a brief.

Mr. Webb: Would you like to hear from any of the other gentlemen?

The Secretary of Agriculture: I think we have all the facts we can get.

Mr. Wilkinson: We would like to submit a brief a little later. We did not have time to prepare it. And when you gentlemen are on your return trip from Atlanta, we would be glad to have you stop off and visit us.

The Secretary of Agriculture: We are going north from Atlanta, you understand.

Mr. Webb: We will prepare a brief and submit it to you. We are very much obliged to you.

STATEMENTS SUBMITTED ON BEHALF OF  
PHILADELPHIA.

STATEMENT OF MR. LEVI L. RUE.

The Secretary of Agriculture: Will you state your occupation, Mr. Rue?

Mr. Rue: President of the Philadelphia National Bank, and Chairman of the Clearing House Committee of Philadelphia.

The Secretary of Agriculture: Mr. Rue, you are familiar with this bill?

Mr. Rue: I am, sir, more or less.

The Secretary of Agriculture: And you know the problem we are trying to solve?

Mr. Rue: We do, sir.

The Secretary of Agriculture: The division of the country into not less than eight, nor more than twelve districts, and the location of a Federal Reserve Bank in each district. Now we welcome any information which you can give us bearing on that problem.

Mr. Rue: May I first, with your permission, simply present for the record resolutions which were passed by our Clearing House and certain trade bodies, which can go on

the record?

The Secretary of Agriculture: If you will, just read the Clearing House resolution.

Mr. Rue: (Reading) At a Special Meeting of the Philadelphia Clearing House Association, held Monday, December 29th, 1913.

On motion, the following Preamble and Resolution was adopted:

WHEREAS The Federal Reserve Act as passed by Congress and signed by the President on December 23rd last, provides for the establishment of not less than eight nor more than twelve Federal Reserve Banks in "districts to be apportioned with due regard to the convenience and customary course of business"; and

WHEREAS Philadelphia stands first in manufacturing, second in banking resources and third in population of the great cities of the United States; and

WHEREAS the Commonwealth of Pennsylvania, of which Philadelphia is the metropolis and the natural financial center, has a greater number of National Banks than any other State in the Union, and

WHEREAS the banks of Philadelphia, by a <sup>board</sup> board and

liberal policy, have made the City a financial center not only of Pennsylvania and states contiguous thereto, but also a channel through which the "customary course of business" of a vast section of the United States naturally flows.

Therefore, be it

RESOLVED, That if the broad purposes and spirit of the Act are to be fulfilled, a Federal Reserve Bank should be located in Philadelphia,

RESOLVED, that this subject be referred to the Clearing House Committee with full power to appoint a Committee of Five and take such other steps as may seem to them advisable to best present the claims of Philadelphia to the organization Committee as Washington.

On motion, it was resolved that in the opinion of the Presidents or other executive officers of the National Banks represented at this meeting it is desirable for the banks to enter the new system.

Francis B. Reeves,

President.

Attest:

Jno. C. Boyd,

Secretary.

The Secretary of Agriculture: Now the others are of similar import.

Mr. Rue: The others are from the Chamber of Commerce, Merchants and Manufactures Association, Association of Credit Men, and the Grocers' and Importers' Exchange and so on. I do not think we will take up your time in reading them, but will simply submit them for the record, because it would be simply a repetition.

The Secretary of Agriculture: Yes.

(The statements presented by Mr. Rue, are as follows):

PHILADELPHIA CHAMBER OF COMMERCE.

Bourse Building, Phila., Pa.

January 10th, 1914.

Mr. John C. Boyd,

Secretary, The Phila. Clearing House Association,

Philadelphia, Pa.

Dear Sir:

At the meeting of the Board of Directors of the Philadelphia Chamber of Commerce held Thursday evening January 8th, the following resolution was unanimously adopted:

\*It is the opinion of the Board of Directors of the

Philadelphia Chamber of Commerce that Philadelphia is entitled to have a regional Reserve Bank. This city is the first in manufacturing, is the second in banking resources, is the third in population, and is one of the most important in the issue of commercial paper and in the holding of reserves for country banks. Philadelphia is the central and natural banking head of one of the most populous and richest sections in the United States. For these and other reasons a federal reserve bank should be located here if the plain mandate of the law is to be carried into effect. That passage of the law reading:

"That the districts shall be apportioned with due regard to the convenience and customary course of business and shall not necessarily be coterminous with any State or States."

should leave no question as to the legal necessity of establishing a Federal Reserve Bank in our city.

The question of a Federal Reserve Bank is not, in our opinion, merely a banking question, but is a question of financial interest that affects every class in the community. We have been informed, however, that the Secretary of the Treasury has stated that he prefers he should be visited only by delegations of bankers as he desires to come to a decision for the apportionment of the Federal Reserve

Banks on the basis of banking facilities and necessities, and in view of this statement, the Philadelphia Chamber of Commerce will not take any action further than this expression of its opinion, because of the confidence it has that the representative bankers of this City will see to it that the necessities and the needs of our city are taken care of and that our just demands shall be accepted.

It is voted that a copy of this expression of opinion shall be sent to the Clearing House Association of Philadelphia and to the press.

CHARLES J. COHEN, President.

"H. H. Kelly, Secretary."



PHILADELPHIA ASSOCIATION OF CREDIT MEN  
Incorporated.

1011 Chestnut Street,

Philadelphia,

January 12th, 1914.

At a special meeting of the Board of Directors of the Philadelphia Association of Credit Men, held January 12th, the following resolutions were unanimously adopted:

WHEREAS: The Federal Reserve Act requires the establishment of no less than eight Federal Reserve Banks throughout the country, and "That the districts shall be apportioned with due regard to the convenience and customary course of business and shall not necessarily be coterminous with any state or States", be it therefore

RESOLVED: That Philadelphia with its large banking resources, ranking second only to New York City, its manufacturing pre-eminence its wonderful commercial, mining, transportation and agricultural interests, we believe is entitled to be selected as a superior location for one of the Federal Reserve Banks; and be it further

RESOLVED: That inasmuch as the Secretary of the Treasury has stated that he prefers he should be visited only by delegation of bankers, that this Association will not seek any direct

communication with the Organization Committee at Washington because it has full confidence that the representative bankers of this City will demonstrate to that Committee the justice of Philadelphia's claims and see that the needs of our city are properly cared for; and be it further

RESOLVED: That a copy of these resolutions be sent to the Clearing House Association of Philadelphia and to the Press."

THE GROCERS' AND IMPORTERS' EXCHANGE  
of Philadelphia.

Philadelphia Bourse

Philadelphia, January 12,  
1914.

Mr. John C. Boyd, Secretary,

The Philadelphia Clearing House Association,

Philadelphia, Pa.

Dear Sir:

At a meeting of the Board of Directors of the Grocers' and Importers' Exchange of Philadelphia, held January 7th, 1914, the following resolutions were unanimously adopted:-

WHEREAS, The Federal Reserve Act requires the establishment of no less than eight Federal Reserve Banks throughout the country and "That the districts shall be apportioned with due regard to the convenience and customary course of bus-

iness and shall not necessarily be coterminous with any State or States," be it further

RESOLVED: That Philadelphia owing to its numerous superior qualifications as a business and banking center, ranking first in manufacturing interests, second in banking resources and third in population, is in our opinion entitled to be selected as a location for one of the Federal Reserve Banks. Philadelphia is well known as the natural banking head of one of the most populous and affluent sections of the country, which fact should emphasize the justice of the establishment of a Federal Reserve Bank in this City, and be it further

RESOLVED: That as the Secretary of the Treasury has expressed a desire that he should be visited only by Delegations of Bankers, this Exchange, having full confidence in the ability of the representative Bankers of Philadelphia to ably demonstrate the superior claims of Philadelphia and urges that the needs and requirements of our City be given just consideration, will not take any further action at this time.

RESOLVED: That a copy of these Resolutions be sent to the Clearing House Association of Philadelphia and to the Press.

Chas. D. Joyce  
President.

John E. Poore  
Secretary.

**MERCHANTS AND MANUFACTURERS ASSOCIATION**

Philadelphia,

December 30, 1913.

The following Resolution was adopted by the Board of Directors of the Merchants & Manufacturers Association of Philadelphia:-

\*WHEREAS, Federal Regional Reserve Banks are contemplated by officials of the United States Government, and

\*WHEREAS, the distribution of these regional banks apparently omits Philadelphia as a reserve City, and

\*WHEREAS, the importance of Philadelphia as a manufacturing and industrial centre, as well as its geographical location and large banking deposits, would point to this City as a logical place for a Regional Bank; therefore be it

RESOLVED: That the Merchants and Manufacturers Association is unalterably opposed to having this City disregarded in this respect, and

That we call upon the President, Senators, Representatives, and officials of the government, as well as business men generally, to lend aid and influence toward having Philadelphia recognized as a Regional Reserve City, and to pre-

vent the elimination of Philadelphia in this regard."

On behalf of the Board of Directors,

D. T. Fleisher,

President.

Attest: C. W. Summerfield,  
Secretary.

PHILADELPHIA DRUG EXCHANGE

Bourse Building,

Philadelphia.

Mr. Levi L. Rue, President,  
Philadelphia National Bank,

Dear Sir:

At a stated meeting of the Board of Directors of the Philadelphia Drug Exchange, held on January 14th, 1914, the following preamble and resolution were unanimously adopted:-

WHEREAS The Philadelphia Drug Exchange, composed of merchants and manufacturers in the drug and allied lines, views with deep interest the plans proposed for placing in operation the Federal Reserve Act recently passed by Congress, and

WHEREAS They thoroughly believe that Philadelphia, with its large banking resources, its preeminence in manufactures,

and its extended commercial interests, is entitled to be selected as an eminently proper location for one of the Federal Reserve Banks to be created under this act, therefore be it

RESOLVED That the Secretary of the Treasury and his associates are respectfully but earnestly urged to give due consideration to the arguments which will be advanced by the representative bankers of this city, with the hope that this may result in the establishment of such a bank here, as suggested.

Very truly yours,

J. W. Cugland,

Secretary.

Mr. Rue: With your permission, we have prepared here some data which we think will be of great assistance, and I would like to give each one of you a copy so that you can follow me, and if you will permit me to read it, if there are any questions you want to ask, I will either try to answer them at the time, or later on, if you will mark them, whichever is your pleasure.

The Secretary of the Treasury: Before you begin, have you prepared a map of your proposed district.

Mr. Rue: Yes, we have a map which we thought we would present to you later. Would you like to have it now?

The Secretary of the Treasury: We would like to see it now. It simplifies the matter very much if we can understand the outline of the district as proposed.

Mr. Rue: We have a map showing the districts, and attached to each section we have designated the center by a red circle and a number, and the data of that section is attached.

The Secretary of the Treasury: You have figured on ten districts.

Mr. Rue: We have figured on ten districts, sir. That has seemed to us, as we have gone into this problem, would probably best serve the needs of the country at this time,

anyhow. I will not attempt to speak of course, of the past glories of Philadelphia, but will get right down to the facts.

The Secretary of the Treasury: We know the glories of Philadelphia, and are proud of them, and now we will take the facts.

Mr. Rue: We are glad that you appreciate them, too. We are speaking of present achievements and not past.

Knowing that it is the desire of your Committee to receive suggestions and information which will aid you in determining the proper location for the Federal Reserve Banks, and that you will render impartial judgment and will approach the subject with open minds, we venture to submit for consideration the following facts:

In order to endeavor to be helpful to the Committee in solving this most difficult problem, we have prepared a map which illustrates our views as to the most practical division of the country into districts so that each district will be as nearly as possible, symmetrical, and will have its Federal Reserve Bank located in the most active business city, and will at the same time possess sufficient banking resources within its territory to make a strong Federal Reserve Bank.



The number of districts should be determined not so much in answer to the claims of the various cities actuated by local pride, which of course is natural, but in order to render prompt and efficient banking service to the member banks without radically changing the customary course of business.

The attached map indicates approximately our views as to districts, viz:

No. 1, including Maine, New Hampshire, Vermont, Massachusetts and Rhode Island with headquarters at Boston.

No. 2, including New York State, Connecticut and that portion of New Jersey lying north of a line drawn east of from Trenton; with headquarters at New York City, and a branch at Albany.

No. 3 including Pennsylvania, southern New Jersey, Delaware, Maryland, District of Columbia, northeastern half of West Virginia, Virginia and North Carolina, with headquarters at Philadelphia and branches at Pittsburgh, Baltimore and Richmond.

You will notice in No. 3, we have included Maryland and Virginia and North Carolina, not that we wanted those particular states, but we wanted to be helpful and we felt

with the vast banking capital of Philadelphia it would aid in financing those districts, where banking capital is scarce.

No. 4, including South Carolina, Georgia, Alabama, Florida and eastern Tennessee; with headquarters at Atlanta.

No. 5, including Ohio, Kentucky, Indiana, Illinois, Michigan, the southern half of Wisconsin, southwestern half of West Virginia; with headquarters at Chicago and a branch at Cincinnati.

No. 6, including Missouri, the southwestern portion of Tennessee, the northern part of Arkansas, Oklahoma, Kansas, Nebraska, Iowa and the northern portion of Texas; with headquarters at St. Louis and branches at Dallas and Kansas City.

No. 7, including lower Mississippi, Louisiana, lower Arkansas and southern Texas; with headquarters at New Orleans.

No. 8, including Minnesota, upper Wisconsin, North and South Dakota and Montana; with headquarters at Minneapolis, and a branch at Helena.

No. 9, including Colorado, Wyoming, Idaho, Utah, Arizona and New Mexico; with headquarters at Denver.

No. 10, including California, Washington, Oregon, Nevada

with headquarters at San Francisco and branches at Seattle, Portland and Los Angeles.

If advisable, Ohio, half of West Virginia, Kentucky and Southern Indiana can be grouped about Cincinnati, forming an eleventh district, and possible a twelfth district about Dallas, including practically all of Oklahoma and Texas.

District No. 3 can with convenience be limited to Pennsylvania, southern New Jersey, Delaware and eastern Maryland, but this will be to the disadvantage of other parts of the district, where the banks are heavy borrowers.

The attached sheet indicates for the several districts their population, capital, surplus and individual deposits of national banks on October 21, 1913; and subscriptions of capital and Federal Reserve Banks and their minimum deposits, based on individual deposits only of national banks and assuming that all national banks will become members. (Exhibit A.)

This arrangement should accomplish the following objects:

More than the minimum capital is provided for all districts save that around Denver.

As many districts as possible contain self-supporting

banks by reason of varied industries, diversified business and accumulated banking resources, with ample funds in creditor areas to care for normal needs of borrowing areas.

Each head office is located in the principal city of its district, and therefore upon established routes of trade currents, effecting superior mail accessibility for entire district to head office or branches.

The districts about New York, Chicago, Philadelphia and St. Louis will each contain population ranging from 13,000,000 to 20,000,000. The other districts will each have considerable smaller population.

The Federal Reserve banks in Boston, New York, Chicago and Philadelphia will be larger than the others, and can extend assistance to Federal Reserve banks in Atlanta, New Orleans, Minneapolis and possibly St. Louis, which will probably borrow heavily during the seasons of crop preparation and crop moving.

The district thus defined about Philadelphia, will embrace a region in which are the following activities: exceptionally diversified manufacturing, highly varied farming, extensive mining, timber and trucking operations.

The currents of trade move to the east and to the northeast, because there are the areas of densest

population and heaviest consumption, and the points of national exchange settlement.

The total banking resources of the State of Pennsylvania comprise 67% of the total banking resources of the district of which Philadelphia would be the natural centre.

The states in this district of which the banks are very light borrowers, are Pennsylvania, Delaware, West Virginia and New Jersey; as the following figures, representing ratio of maximum borrowing in 1913 to capital, will illustrate:

Pennsylvania	5.6%
Delaware	.09%
West Virginia	.28%
Maryland	.28%
Washington City	25%
Virginia	26%
North Carolina	70%

The transportation facilities of the district, exclusive of the State of Pennsylvania, are mainly along parallel lines, running toward the northeast.

Philadelphia has better railroad facilities than any city

other city in the district, being accessible from nearly every banking point within 18 hours; Asheville, N. C., being the greatest number of hours away. However, Asheville banks have for many years transacted business satisfactorily with Philadelphia.

The following table will show the number of hours required to transport mail from various points within the districts to Philadelphia.

Asheville, N. C.	21 hours
Wilmington, N. C.	19 "
Raleigh, N. C.	16 "
Charlotte, N. C.	16 "
Parkersburg, W. Va.	15 "
Morgantown, W. Va.	14 "
Wheeling, W. Va.	12 "
Charleston, W. Va.	11 "
Warren, Pa.	11 "
Washington, Pa.	11 "
Norfolk, Va.	10 "
Lynchburg, Va.	9 "
Richmond, Va.	8 "
Pittsburgh, Pa.	9 "

Says, Pa.	8	hours
Gattysburg, Pa.	7	"
Cumberland, Md.	8	"
Frederick, Md.	7	"
Altoona, Pa.	6	"
Williamsport, Pa.	6	"
Scranton, Pa.	6	"
Wilkes-Barre, Pa.	5	"
York, Pa.	4	"
Salisbury, Md.	4	"
Dover, Del.	4	"
Washington, D. C.	3	"
Bridgeton, N. J.	3	"
Harrisburg, Pa.	3	"
Baltimore, Md.	2	"
Lancaster, Pa.	2	"
Wilmington, Del.	1	"

Practically any part of New Jersey, south of Trenton, within one to three hours.

The number of mail trains arriving at and leaving Philadelphia per day is 664, and the postal receipts for the year ending June 30, 1913, amounting to \$8,028,000.

Philadelphia is the natural metropolis of the district, and therefore the natural headquarters of the Federal Reserve Bank serving all the district.

The largest sub-treasury in the district is located at Philadelphia.

The Philadelphia Mint is the first mint established in the United States, and today transacts the second largest volume of business. Its location in a head city will best serve all the banks in the district; total exports and imports for the year ending June 30, 1913, amounted to \$169,524,000 and total customs receipts for the same period, amounted to \$20,797,000.

The Philadelphia national banks reported to the Comptroller of the Currency on October 21, 1913,

\$22,000,000 capital

40,000,000 surplus

184,000,000 individual deposits.

We have left out the bank deposits, because they will be changed under this system.

The State of Pennsylvania leads every other state in the number of the national banks, having 838, with capital of \$116,000,000. Surplus \$136,000,000. Individual deposits \$802,000,000 as of June 4, 1913.



There are in the State of Pennsylvania 492 banking institutions operating under state charter, having a capital of \$118,270,080. Surplus and profits of \$202,780,453, and individual deposits of \$885,765,643, as of June 4, 1913.

The national banks will in all probability all become members; how many of the state institutions join the system depends largely upon whether the organization committees <sup>the</sup> locates/Federal Reserve Bank at Philadelphia, the logical place for the headquarters in accordance with the spirit of the Federal Reserve Act, or places the bank elsewhere and subject Pennsylvania banks to the inconveniences of losses attendant upon following artificial channels of trade.

The Secretary of Agriculture: Is there any restriction in the law against state bank subscribing?

Mr. Rue: Not that I know of.

The Secretary of the Treasury: In Pennsylvania?

Mr. Rue: No, they cannot subscribe, but I think to make the system advantageous and effective to them the law would have to be amended so as to permit out state banks to invest in commercial paper and discount commercial paper

The Secretary of the Treasury: Upon the point you make there, that their coming into the system would depend largely upon whether the headquarters bank were in Philadelphia, you know that many bankers and other gentlemen in New York contended for a very large denominating bank there, with Pennsylvania included.

Mr. Rue: Yes, sir.

The Secretary of the Treasury: Suppose that were to be done and the headquarters bank were in New York, would the state banks still hesitate to go in?

Mr. Rue: No, I do not think so. I think if your gentlemen in your wisdom should decide it was desirable to place the great resources of Pennsylvania, Philadelphia alone amounting to over a billion of dollars, into the New York system, if we did not get a bank in Philadelphia, I think New York would be acceptable, but I think it would be contrary to the spirit of the Act, to make a great dominating bank in New York.

The Secretary of the Treasury: Suppose, on the other hand -- and I only ask this to see how strong a point this is, you understand.

Mr. Rue: I understand.

The Secretary of the Treasury: Suppose on the other hand, the district as you have outlined it here, which embraces Washington, had Washington as a headquarters.

Mr. Rue: I do not think the banks would come in.

The Secretary of the Treasury: Why not?

Mr. Rue: Because it not the natural trend of trade. We have no business in Washington, and Washington is not a commercial city.

The Secretary of the Treasury: But this location of Washington, would not interfere with the normal course of exchange as between the member banks.

Mr. Rue: Why not?

The Secretary of the Treasury: There is no interruption to that. These headquarters banks are, of course, the custodians of a large amount of reserve and hold some government deposits, and are reservoirs to be tapped when necessary for certain specific purposes under the Act. You would be able to tap the till just as well if it were located in Washington, as you can tap the till we have here now, without injury to the ordinary commercial course of transactions.

Mr. Rue: I hardly think you could. You are probably aware

Mr. Rue: I think that is a different proposition, because if we had one great central bank, the resources would be concentrated.

The Secretary of the Treasury: The point I want to bring out is whether, as a matter of fact, there is anything in the proposition, rather than as a matter of sentiment.

Mr. Rue: I think there is.

The Secretary of the Treasury: I know that sentiment is so strong among cities, and that is the thing we have to disregard in the interest of the proper solution of the sole and very important economic problem confronting the committee, but it is so strong in some cities that some of the Committee to present their case on some other city which they consider a rival. Now the Committee is just as able to digest a fact about any city, no matter where it is presented.

Mr. Rue: I would not be considered presumptuous if I should ask you what lead to you favor the establishment of a great bank in Washington rather than in the greater city of the district?

The Secretary of the Treasury: We are not suggesting it, but we want to get your views on the question.

that in a great centre like Philadelphia, where there are large commercial transactions, the banks have to have frequently near the close of banking hours, the ability to meet large demands --

The Secretary of the Treasury: On that very point, the bill provides for branches, you understand.

Mr. Rue: I know that.

The Secretary of the treasury: Suppose you had a branch under such circumstances in Philadelphia and --

Mr. Rue: And the head bank in Washington?

inThenSecretary of the Treasury: The head bank in Washington.

Mr. Rue: It would be the tail wagging the dog, because the vast business of that bank would naturally be where the great business is, and the great business will be in Philadelphia, because it is the metropolis of the district.

The Secretary of the Treasury: Suppose some gentlemen had succeeded in impressing their views on Congress that only one central bank should be located here in Washington with a branch in Philadelphia, would you refuse to take in the state banks because of the head bank being located in Washington?

Mr. Rue: But I am giving you what I think is the logical reason --

The Secretary of the Treasury: But I am asking what reason would prevent itself. After all, it gets back to the fact whether or not it is advantageous to the state banks to come into this system, and whether the head bank is in Baltimore, Washington, Philadelphia or anywhere else, if it is to furnish proper facilities, I suppose they would accept the facilities, and otherwise not.

Mr. Rue: I claim the facilities would not be equal, because if the branch bank -- while the nominal head might be in Washington, Baltimore or some other city, in the district the real business and resources of that bank would have to be where the greatest demand upon it was, if it was to be effective.

The Secretary of the Treasury: I think I ought to say here, as I have said to all the other cities which have appeared, that you must not infer from the line of questioning that we have an opinion. We only ask these questions to bring out the argument. What we are after is light, and we want facts.

Mr. Rue: Yes.

The Secretary of Agriculture: On that same subject, what would the banks do, do you think, if Pittsburgh were made the head?

Mr. Rue: I think Pittsburgh would be <sup>an</sup>unnatural location for this reason. The course of trade is to the east and northeast. The best evidence as to what is the real course is the demand for exchange. That shows the course of trade, where a merchant has to make his settlements. Now Pittsburgh exchange is never sought. That fact is it is shunned by --

The Secretary of the Treasury: It does not pass at par?

Mr. Rue: You make that comment, sir. I simply said shunned. And why is it shunned? Because it is not needed, and no settlements are made in Pittsburgh.

The Secretary of the Treasury: But under this situation the exchanges will be at par, and so the parring of exchange everywhere will correct that situation.

Mr. Rue: But what would be the result, if a Federal Reserve Bank was put in at Pittsburgh, and the demand for the exchange, if the Philadelphia banks had to throw into Pittsburgh, we will say, and all this section towards the west, the business which they get which produces their exchange. Now as I say, the trend of trade is east

northeast.

The Secretary of the Treasury: It would get down to a question of clearances, that is all.

Mr. Rue: Exactly. The result would be a practical standpoint that the banks in this territory which I have outlined there in Section 3, would send their business of that description out to Pittsburgh with the loss of a night or a day's mail, to that bank to create reserve in their Federal Reserve Bank. Now what would the Federal Reserve Bank do with it? It would have to sell it for collection eastward again, either to a Federal Reserve Bank in New York, or Atlanta or Boston, or wherever you gentlemen may, in your wisdom locate them. And the merchants of Philadelphia, our reserves being in Pittsburg, say, would have an exchange, which, you say would pass at par through these other Federal Reserve banks, would be unnatural and it would create such a preponderance of exchange against the Federal Reserve Bank in Pittsburgh, that it would be a continual debtor to the Federal Reserve banks of the east, and would require a constant shifting of balances of currency. I do not care how you locate these banks, you cannot overcome the law of trade.



Levi L. Rue

The Secretary of the Treasury: That is exactly what we do not want to do.

Mr. Rue: I know that, I am sure you do not, but you cannot overcome the laws of trade.

The Secretary of the Treasury: That is the reason this is the kind of information we want.

Mr. Rue: I understand, and I am trying to explain that you cannot overcome the laws of trade. If you should place a Federal Reserve Bank in Pittsburgh to represent this eastern district, the balance of exchange is always eastward, because there is always the great density of population, and the great consuming powers, and there are the importing ports, and settlements have to be made in the east. Now the Federal Reserve Bank in Pittsburgh would be a continual debtor to the Federal Reserve Banks on the Atlantic Coast, and would require continual shifting of money to off-set that debit balance.

The Secretary of Agriculture: Suppose you took exactly the same area and put it in Pittsburgh, instead of in Philadelphia.

Mr. Rue: The same situation exists.

The Secretary of Agriculture: You would have exactly the same amount of banking power?

Levi L. Rue

Mr. Rue: You would have exactly the same amount of banking power, but you would be going contrary to the law and trend of trade. The trend of trade is eastward and northeastward towards the density of population, and the Pittsburgh bank, even if you make the district as it is, would be a continual debtor to the east, as it is now, and you would put a great expense on that bank in making a credit balance against the tremendous debit that would be coming from the other Federal Reserve Banks in the east, which gets the vast volume of exchange.

The Secretary of the Treasury: Would the difficulty be lessened if Baltimore were made the headquarters, I mean as against Pittsburgh.

Mr. Rue. Surely.

The Secretary of the Treasury: And so far as Washington is concerned, you think it would not be lessened anything like the same degree as if Baltimore were chosen?

Mr. Rue: I think Baltimore and Washington are on a par as far as exchange goes.

The Secretary of the Treasury: Baltimore has a very large foreign exchange?

Mr. Rue: Comparatively, sir. I will touch upon that later on.

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The Secretary of the Treasury: We do not want to interrupt your argument, but sometimes it elucidates the matter to bring out points as you touch upon them;

Mr. Rue: I understand. Banking is the servant of the commerce, hence banking facilities must follow commercial transactions. Philadelphia has more important trade relations with this District than any other city. At all hours trains are moving towards Philadelphia bearing raw material which Philadelphia industries bought from all parts of the District and the entire south and west, and are manufactured into the finished product and then distributed throughout the world, total value exceeding \$800,000,000 per annum. The total Philadelphia tonnage as taken from three of our great trunk lines is 30,357,581. This tonnage consists principally of

Coal (Pennsylvania products 47% of all the coal mined in the United States)

Ore (Philadelphia imported 1,696,323 tons of ore during the year ending June 30, 1913)

Iron and Steel

Naval Stores (The naval stores of the south are used by Pennsylvania paint manufacturers, soap makers and paper manufacturers.)

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Timber (Philadelphia is building 12,000 houses per annum. Most of the lumber consumed here is shipped from the South)

Leather (Philadelphia is a well known leather market) drawing part of its supplied from Pennsylvania, West Virginia and North Carolina

Cotton goods (Three-fifths of all the yard produced and market by Southern cotton mills is bought and distributed by Philadelphia wholesale firms, amounting to \$45,000,000 per annum)

Raw sugar (Philadelphia ranks second in sugar refining in the United States)

Tobacco (Philadelphia draws leaf tobacco from South Carolina, North Carolina and Virginia, as well as from Lancaster County, Pennsylvania).

Wool (Philadelphia in 1913 handled 90,000,000 pounds of wool, and her industries manufactured \$54,000,000 of wool products).

The Secretary of the Treasury: How does that compare, for instance, with the wool industry in New England? I do not recall the figures?

Mr. Rue: I do not know sir. But of course, a great deal of the wool which comes to Philadelphia is sold again to New England. But you see the figures, 90,000,000 pounds of wool and \$50,000,000 in products of wool.

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Of course in the product of wool they do not make everything of pure wool.

The Secretary of the Treasury: I understand they may be more inclined to do that now.

Mr. Rue: Perhaps so. I would like to call particular attention to this, that Philadelphia is the largest textile centre in the United States, and of course practically all the cotton consumed by her cloth mills, hosiery mills and knitting mills comes from the south.

Philadelphia has become a great market for the purchase of bills of exchange against cotton, so much so that these purchases now extend into every cotton town and village in the cotton states. The development of this market in Philadelphia for foreign bills has created a competition for these which heretofore did not exist, as they were practically all financed through New York. This is a great benefit to the cotton shippers and dealers.

The Secretary of the Treasury: Have you any statistics on that?

Mr. Rue: I have a little later on.

The Secretary of the Treasury: We had some figures on that subject in New York.

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Mr. Rue: Yes, sir. Philadelphia will probably lose this business and it will again go to New York unless a Federal Reserve Bank is located here. A vast amount of exchange is created by these purchases of cotton in the form of drafts against cotton dealers in this city and this is the method of financing even though the cotton may be shipped for export from Galveston, New Orleans, Savannah, Charleston, Norfolk or Baltimore, consequently a very large amount of Philadelphia exchange is created in the south and this has made desirable the opening of a large number of bank accounts in Philadelphia by banks in almost all the principal cities and towns of the Cotton States. These banks should have the facility of a ready transfer of the balances which this exchange creates, through a Federal Reserve Bank located here.

No small part of the foreign exchange created by such deposits is sold in Philadelphia. As an evidence of this, the foreign exchange turn over by the banks of Philadelphia last year amounted to over \$350,000,000, covering all classes of business. As one of the important functions of the Federal Reserve Banks will be to deal in foreign exchange Philadelphia with the immense business already developed will be a logical and advantageous

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location for a Federal Reserve Bank.

Foreign Exchange can be handled with equal facility in Philadelphia as it can be in New York because the closing of the mails for fast steamers sailing from the port of New York is practically the same in Philadelphia as New York.

All these lines of commerce create banking relations. Therefore, the files of Philadelphia Bank Credit Departments are filled with data regarding the banks throughout this district and their customers. As the Philadelphia banks are also among the largest buyers of commercial paper from note brokers, Philadelphia is also a centre of accurate information for credits of this sort. Philadelphia banks, including what they buy for their correspondents in Pennsylvania, New Jersey and Delaware, purchase annually a volume of commercial paper of business firms and corporations located all over the country from the Pacific to the Atlantic and from the Lakes to the Gulf, aggregating about \$200,000,000.

Philadelphia is not only the largest, richest and busiest city in the district, but it has been for generations the city of large wealth and accumulated capital,

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and its lines of activity are firmly established and broadly diversified.

Banks of Philadelphia have the accounts of business firms and corporations outside of the city represented by mills in the south, manufacturing concerns of the Middle West, wholesale and jobbing firms and corporations in dry goods, hardware, groceries, harvesting machinery and other staple products, numbering approximately 1,000. The total accommodations granted to these concerns by the banks of Philadelphia will aggregate \$50,000,000.

There are likewise 4,000 banks from every state in the Union keeping accounts in Philadelphia.

The Secretary of the Treasury: On that point, Philadelphia pays a very liberal rates of interest on bank balances, does she not?

Mr. Rue: No, sir, not unusual. We pay but 2 per cent.

The Secretary of the Treasury: But you collect checks free, I believe.

Mr. Rue: Only nominally free, Mr. Secretary, for this reason. Philadelphia has an arrangement which I think is unique. We do not like other cities, allow interest on a check as soon as it reaches our banks, whether it be on San Francisco Galveston or Jacksonville, Fla. But the



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Philadelphia banks have arranged as a schedule of time allowance based on actual experiences, and if a bank from out of town sends us a check say on Jacksonville, Fla., or San Francisco, a time allowance is made on that check until the bank receiving it can get the actual returns back, and interest is not allowed until that time is consumed.

Then besides that we require, while nominally it may be said-

The Secretary of the Treasury: That is quite alluring, is it not?

Mr. Rue: Alluring to whom?

The Secretary of the Treasury: To the banks which keep their balances there.

Mr. Rue: It may be alluring to them, but they are not allowed interest until we get the money back, as compared with other cities.

The Secretary of Agriculture: In Boston the other day a great number of the New England bankers said they kept their accounts in Philadelphia because they did clear free, but that normally they would not do it.

Mr. Rue: Of course we do not want to give secrets away as to our methods of doing business, but you know people in this country hate to pay a direct charge; they will stand an indirect charge where they will object

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strenuously to a direct charge.

The Secretary of the Treasury: They have been educated to that.

Mr. Rue: Yes, and a banker will do everything to avoid a direct charge of exchange, but is perfectly willing to pay an indirect charge of exchange. By such plans as I stated, a time allowance is made and in many cases they require a free balance from country banks. We do not allow interest on all of those balances, but not only take that time allowance, but require a balance to be retained with us, without interest. And if that does not work out profitably, all the larger banks keep an analysis department, and at the end of each month we know how an account stands, and even after all these devices I have described to you, if our banks come out losers, we charge to the bank the expense of operating and the actual loss, so they do not get free exchange.

The Secretary of the Treasury: You do not mean to seriously suggest that a banker is as easily fooled as that, do you?

Mr. Rue: No, I do not think-- that is not our side of it, but I think it is human nature to object to a direct

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charge on exchange. And then I would like to say this, that business begets business. A bank for instance in a certain town is very desirous of getting the exchange on its own town, as you can readily understand, because it makes it a creditor bank. Now, the settlements in the towns say in the south, are made either in cash or northern exchange, as the case may be. If a bank in a certain town gets a less amount of exchange, on the other banks, than the other banks receive on it, it is a debtor bank, and must make a settlement to the debtor bank in that city, either in northern exchange or currency. It is of great advantage to each of the banks in that city to get as much local exchange as they can, to throw them a creditor bank. Therefore, by attracting to ourselves the vast volume of exchange, it brings its remuneration in that it brings to us the accounts of the interior banks throughout the United States, who want this local exchange on their own town to throw them a creditor bank.

that  
The Secretary of Agriculture: Now/will be changed.

Mr. Rue: Yes I understand, but I am simply answering the question why we do that business at present.

The Secretary of the Treasury: This argument is advanced

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in favor of a number of cities as to these clearings, and we desire to have as much light on that as we can get, to see what would be normal, and to what extent this is artificial because we are enabled by that means to judge more clearly as to the importance of this point.

Mr. Rue: I have endeavored to state our position. We have given in our figures only individual deposits, because the other figures would be misleading. We could have made our figures look much larger, but we realized as every practical banker must, that this law when it goes into effect will change the whole system.

The Secretary of Agriculture: Yes, that practice will disappear.

Mr. Rue: Yes, and therefore not desiring to swell our figures, we have given you simply individual deposits. Because no man can foretell what the bank deposits in this country are going to be in the future after this system gets into operation. It is going to change the whole system, we realize that fully.

The total number of checks and drafts received by banks of Philadelphia each day from these correspondents is approximately 80,000 separate items, and the number

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of similar items sent out by the banks of Philadelphia each day to the various banks throughout the United States aggregate approximately 100,000.

This will give some indication of the extent and volume of intercourse daily taking place between Philadelphia as a great financial centre with the other states.

Two life insurance companies of Philadelphia alone have over \$75,000,000 loaned on farm lands and property in towns and cities throughout the middle West and South, which makes a bond between all these sections and Philadelphia.

Philadelphia has been developed harmoniously along financial lines, and the co-operative banking machinery works at all times smoothly and without friction.

The Philadelphia district covered by the minimum rate for parcel post has a larger population than the minimum district about any other city in the country.

The following comparative statistics indicate Philadelphia's rank compared with other cities:

## EXHIBIT A

Reserve District	<u>No. 1</u>	<u>No. 2</u>	<u>No. 3</u>
Head Office	Boston	New York	Phila.
Population	5,435-	11,918	15,217
No. Nat'l Banks	373	690	1,311
N/B Capital	52,847-	207,554-	180,163-
▪ Surplus	51,604-	198,403-	180,919-
<u>Individ. Deposits</u>			
Cent. Res. Cities		75,646-	
Reserve Cities	189,658	41,598-	377,521-
Country Banks	262,062	576,074	771,347
<u>Cap. Fed. Res. Bank</u>			
Subscribed	8,064	24,354-	21,660
<u>Deposits from</u>			
Gen. Res 7%		50,092	
Reserve 6%	11,376	2,490	22,650
Country 5%	<u>13,100</u>	<u>28,800</u>	<u>38,673</u>
	24,476	81,382	61,323
Total Banking Resources	2,523,461	7,469,862	3,954,968
No. Banks Reporting	873	1,347	2,801

## EXHIBIT A (Continued)

	<u>As of October 21, 1913</u>		
	<u>No. 7</u>	<u>No. 8</u>	<u>No. 9</u>
Reserve District			
Head Office	N. Orleans	Minn.	Denver
Population	5,675	4,591	2,174
No. Nat'l Banks	411	642	287
N/B Capital	44,275	45,836	23,095
" Surplus	22,562	25,101	13,521
<u>Individ. Deposits</u>			
Cent. Res. Cities			
Reserve Cities	64,162	80,369	55,816
Country banks	113,500	262,718	107,223-
<u>Cap. Fed. Res. Bank</u>			
Subscribed	4,002	4,248	2,190
<u>Deposits from</u>			
Gen. Res 7%			
Reserve 6%	3,848	4,818	3,348
Country 5%	<u>5,876</u>	<u>13,135</u>	<u>5,380</u>
	9,524	17,953	8,708
	<u>As of June 4, 1913</u>		
Total Banking Resources	614,516	1,037,851-	414,295
No Banks Reporting	1,450	2,843	847

## EXHIBIT A (continued)

As of October 21, 1913

Reserve District	<u>No. 10</u>
Head Office	San Fran.
Population	4,271-
No. Nat'l Banks	428
N $\frac{1}{2}$ B Capital	81,014
"    Surplus	37,357
<u>Endivid. Deposited</u>	
Cent. Res. Cities	
Reserve Cities	214,506 -
Country Banks	193,455-
<u>Cap. Fed. Res. Bank</u>	
Subscribed	7,098-
Deposits from	
Ce. Res. 7%	
Reserve 6%	13,870-
Country 5%	<u>9,670-</u>
	22,540-
<u>As of June 4, 1913.</u>	
Total Banking Resources	1,647,432.
No. Banks Reporting	1,447



## Comparative Table.

	Philadelphia	Baltimore	Cincinnati,	Richmond
Population	1,549,000	558,000	364,000	128,000
Nat'l Bank (As reported to Comptroller Oct. 21, 1913)				
Number	32	16	8	8
Capital	22,055,000	11,790,000	13,900,000	5,150,000
Sur.&Profits	46,802,000	10,452,000	9,739,000	5,373,000
Cap Sur & Profits.	68,857,000	22,242,000	23,639,000	10,523,000
Net Deposits	281,340,000	80,846,000	55,875,000	38,053,000
Specie Holdings	32,054,000	3,968,000	5,061,000	(Net & Re- serve City)
Max Borrowings	1,324,000	4,340,000	None	
Percent to Cap.	6%		36%	
Total Nat'l Bank Resources	438,020,000	114,973,000	102,521,000	
<u>State &amp; Nat'l Institutions</u> (As reported to the Comptroller June 4, 1913)				
Number	100	55	39	26
Capital	64,657,000	23,490,000	20,181,000	10,472,000
Sur. & Profits	130,888,000	31,562,000	15,624,000	8,359,000
Cap.Sur. & Prof.	195,545,000	55,052,000	35,805,000	18,831,000
Net Deposits	624,481,000	196,439,000	106,258,000	38,148,000
Cash on hand	50,568,000	7,924,000	10,945,000	2,192,000
Borrowings	3,573,000	4,370,000	156,000	543,000
Total Bank Resources	966,518,000	296,859,000	185,296,000	71,713,497
Clearings 1913	8,523,508,000	1,967,560,000	1,317,212,000	419,121,000

## COMPARATIVE TABLE (Continued)

	Philadelphia	Baltimore	Cincinnati	Richmond
Exports	76,315,000	116,474,000)		
Imports	93,209,000	32,895,000)		
Total Ex. & Impt.	169,524,000	149,369,000)		
Custom Receipts	30,797,000	4,634,000)	Year ending June 30,	
			1913	
P. O. Receipts	8,038,000	2,577,000)		
Life Ins. Co.				
Assets	252,491,000	6,873,000		
Fire Inst. Co.	86,883,000	3,727,000		

(Includes borrowings of three institutions, marked as trust companies, but who do not engaged in the banking business and whose business is largely that of financing and guaranteeing mortgages.)

Pittsburgh

Population	533,000
National Banks <sup>#</sup>	
Number	22
Capital	25,900,000
Surplus & Profits	26,887,000
Capital, Sur. & Profits	42,787,000
Net deposits	1 78,560,000
Specie Holdings	20,063,000
Maximum Borrowings	1,993,000
Percent. to capital	7 $\frac{1}{2}$
Total N/B Resources	273,974,000

State & Nat'l Institutions ( )

Number	83
Capital	53,729,000
Surplus & Profits	95,588,000
Capital, Sur. & Profits	149,317,000
Net deposits	417,957,000
Bank Clearings 1913	2,952,402,000
Post Office Receipts	3,186,000

<sup>#</sup> As reported to Comptroller October 21, 1913

( ) Figures as to State Institutions taken from bank directories.

National  
The/Bank Resources of Pennsylvania amount to  
\$1,435,154,000, which is 70% of the total National Bank Resources of large District No. 3, amounting to \$2,028,971,000.

The National Bank Resources of the small District No. 3, comprising Pennsylvania, Southern New Jersey, Delaware, and the Eastern Shore of Maryland, amount to \$1,578,851,000., which is 77% of the National Bank Resources of the large district No. 3, amounting to \$2,018,971,000.

The total Banking Resources of the State of Pennsylvania amount to \$2,669,643,000., which is 67% of the total Banking Resources of the large district No, 3, amounting to \$3,954,984,000.

The National Bank Resources of Philadelphia amount to \$436,000,000. which is 21% of the National Bank Resources of large District No. 3, amounting to \$2,028,971,000., and is 27% of the National Bank Resources of the small District No. 3, amounting to \$1,575,851,000.

The total Bank resources of Philadelphia amount to \$966,000,000, which is 24% of the total Bank Resources of the large District No. 3, amounting to \$3,954,984,000.

**FACTS ABOUT PHILADELPHIA.**

<b>Aggregate to Capital Surplus and Undivided profits</b>	
of National Banks	<b>\$68,857,000.</b>
<b>Aggregate Capital, Surplus and Undivided Profits</b>	
of State and National Institutions	<b>195,545,000,</b>
<b>Aggregate Resources of National Banks</b>	<b>436,020,000.</b>
<b>Aggregate Banking Resources</b>	<b>966,512,000</b>
"          "          "    including Trust Funds	<b>1,822,068,000</b>
<b>Building &amp; Loan Association Assets</b>	<b>110,000,000</b>
<b>Net Deposits of National Banks</b>	<b>281,340,000.</b>
<b>Aggregate Clearings for 1913</b>	<b>2,523,508,000.</b>

There is located in Philadelphia the following:

**First National Bank chartered by Congress.**

**First Savings Fund in the United States.**

**Oldest Trust Company in the United States- established  
nearly 100 years ago.**

**First Title Insurance Company in the World.**

**Largest number of Building & Loan Associations of any  
city in the United States, and at the last National Convention  
they were pointed at as model institutions of their class.**

**Philadelphia is the greatest manufacturing centre in the  
United States, when measured by the average number**

of wage earners. There are more establishments in Philadelphia with 500 employees than any other city in the world. Philadelphia has an annual output of manufactured goods of a value exceeding \$800,000,000.

Philadelphia is the greatest textile centre in the United States, her mills employing 105,000 people.

The weekly payroll for skilled labor in Philadelphia averages over \$3,000,000.

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The Secretary of the Treasury: You refer here to a large district and a small district. I only see one indicated on the map.

Mr. Rue: There is only one indicated, but the small district is Pennsylvania, Southern New Jersey, Delaware and the eastern part of Maryland-- the Eastern Shore of Maryland. We have not indicated that on the map, but we have given you the figures.

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The Secretary of the Treasury: You incorporate that statement in the record as the testimony of Mr. Rue. Have you anything to add?

Mr. Rue: Nothing more, sir, unless you want to ask some questions.

The Secretary of the Treasury: I see that you have tentatively divided the country here into ten districts.

Mr. Rue: Yes, sir.

The Secretary of the Treasury: That is upon the theory that you would have the large district of Philadelphia?

Mr. Rue: Yes, sir.

The Secretary of the Treasury: Now, if the district should be made smaller, the Philadelphia District, what is your idea as to how that would alter this map?

Mr. Rue: If the district was made smaller, sir, I presume--of course, it would depend, Mr. Secretary--it depends whether-- that of course, would include the southern part of New Jersey, the State of Delaware, and the State of Pennsylvania, and the State of Maryland.

The Secretary of the Treasury: Eastern Shore of Maryland

Mr. Rue: Eastern Shore of Maryland. That would naturally follow, I think, sir, that the next regional bank would



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have to be either in Baltimore or Atlanta. That, of course, would be according to the judgment of this Organization Committee, because you do not want to make any district too weak. You do not want to have a lame duck all the time on your hands. Each district, as far as it can be, except in extraordinary matters-- there are certain sections of this country that have extraordinary demands upon it all at certain times. It is a crop demand, a seasonal demand at times, when they have a plenthor of money. Other times when there is a great scarcity.

The Secretary of the Treasury: If you are going to leave one district of that sort to itself--

Mr. Rue: If you are going to leave one district of that sort to itself, it is like a man trying to pull himself up by his boot straps.

The Secretary of the Treasury: You are bound to have some districts now of that character?

Mr. Rue: Sure you are.

The Secretary of the Treasury: We assume we are going to get a thoroughly coordinative district.

Mr. Rue: We appreciate that.

The Secretary of the Treasury: Of course, it is desirable

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to make these districts, as far as possible self-contained.

Mr. Rue: Yes, sir.

The Secretary of the Treasury: But it does not admit of that solution in its entirety.

Mr. Rue: We realize that.

The Secretary of the Treasury: With that in view, have you come to this conclusion that there should be ten districts, after deliberate study of the whole problem?

Mr. Rue: Yes, sir.

The Secretary of the Treasury: Yes, rather than eight or twelve.

Mr. Rue: Maybe twelve. Certainly ought to be not less than ten, barring a central Reserve Bank, which, of course, is out of the question. The law is settled now. No use discussing that phase of it at all.

The Secretary of the Treasury: What is the theory upon which you have created these other districts? Is it upon actual study of the conditions in these different sections or merely assumptions.

Mr. Rue: Mr. Secretary, we do not know actual conditions. Of course, you gentlemen will glean that as you pass around the country.

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The Secretary of the Treasury: There is a lot of data.

Mr. Rue: Exactly. It is utterly impossible for us to know. We have figured this out, sir, more by banking resources and banking capital, which is the only actual information we have had at our command. We have endeavored to map out these districts, so each district will have sufficient backing capital to create a bank large enough to come in under the law, and apparently be a good strong bank.

The Secretary of the Treasury: Now, in Colorado, you have given \$2,190,000 banking capital.

Mr. Rue: You will note in my brief<sup>s</sup>, sir, I stated Denver—that is a problem, because it has states around it that are lean with banking resources.

The Secretary of the Treasury: Coming back to District No. 5, where you divide West Virginia, North and South, that will be an unfortunate division of West Virginia, on account of the course of travel and commercial transactions.

Mr. Rue: We did not think that that was so.

The Secretary of Agriculture: They were in here yesterday, and they represented that West Virginia ought to be divided about the centre of the line running east and west.

Mr. Rue: This of course, is not arbitrary. We felt this

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as to where there are particular divisions-- or we did not know, but we realize this: That a certain amount of West Virginia business flows west, and a certain amount comes east. Whether that division is as we have it or whether it is where they indicated it, I do not think it materially changes the banking resources of the district which we have created.

The Secretary of the Treasury: Again, take Texas here. A part of Arkansas and Texas particularly. The trend of all that business is to Kansas/<sup>City</sup>and St. Louis.

Mr. Rue: Well, the reason-- yes, we realize that. The reason we here made that division is it is on the assumption that the Southern Pacific Railroad, running from New Orleans westward, would be a natural artery of traffic and travel.

The Secretary of Agriculture: Only have the least well settled part of the state. The rest of it goes north.

Mr. Rue: Yes, sir, goes to St. Louis and Kansas City.

The Secretary of the Treasury: What is your view of the argument made in New York, that there ought to be a predominant bank in New York?

Mr. Rue: I think, sir, it all depends on the purpose of Congress of the United States. If the Congress of the

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United States thought there ought to be a dominant bank in this country, they would have created a central bank.

The Secretary of the Treasury: Aside from that, looking at it as an economical problem, what do you think of the argument advanced in favor of it,

Mr. Rue: What particular phase of the argument was put forth? As I understand the testimony, it was to have a bank of that description you have mentioned, that would command greater respect abroad.

The Secretary of the Treasury: As well as at home.

Mr. Rue: I do not so understand the wording of this law. I understand, sir, that it will be the purpose of the Federal Reserve Board in carrying out the spirit of this Act, to make this a coordinated system.

The Secretary of the Treasury: It must be coordinated under the Act. It is coordinated under the Act.

Mr. Rue: Exactly. Now, therefore, whether you have a great dominating bank in New York, or whether you have ten banks that more nearly create an equipoise, the result is going to be the same, because under the direction of the Federal Reserve Board, the power of one bank can be thrown to the power of the other. I believe, sir,-- I believe

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that finally the operations will work through the New York bank, largely in foreign exchange, whether it is from Chicago, or whether from San Francisco or any other centre, because New York is the port of export and port of entry. It always will be the great centre. The Federal Reserve Bank in Philadelphia, the Federal Reserve Bank in Boston, the Federal Reserve Bank in Minneapolis, will probably instead of dealing directly with great banks of Europe, will find it advantageous to deal with the Federal Reserve Bank in New York.

The Secretary of the Treasury: Do you think that so far as the European banker is concerned, in considering the strength of any of the units he is dealing with here, once this system is established, that he will look more to the strength of the system as a whole, through its coordinations than to the strength of any individual unit.

Mr. Rue: I do.

The Secretary of the Treasury: But on the other hand, in dividing the country into these districts, is it your view that we ought to create as few strong units as possible, or the largest possible number of weaker units.

Mr. Rue: I think it would be a mistake, sir, to establish

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a large part of the weaker units. I think you ought to establish-- try, as I said before, to establish that which will create an equipoise. You do not want any one bank to be so large that the rest of the banks will be mere satellites.

The Secretary of the Treasury: Now, upon that theory do you feel it would be better to have eight banks than ten; assuming, of course, that Philadelphia would not be affected.

Mr. Rue: I am leaving out Philadelphia. I am forgetting Philadelphia for the time being, trying to lay out this system as a whole. You have got this problem before you, gentlemen. You have got a country of vast area. The exchange of European bankers is not going to help you very much. Taking England, the Bank of England. Of course, our problem is entirely different. Take France and Germany, only a night's ride from the great central bank, but here you have got a vast continent. Now you must-- if you were to have had a central bank, you would have to have had important branches in every one of the centres we have now spoken of, but that is out of the question. You have got a condition, not a theory now confronting you.

The Secretary of the Treasury: As an academic question merely, it becomes very interesting in the light of the

testimony we have had, when we have asked the question whether or not a branch of the regional bank would not serve the purpose equally well, we were told at once that nobody wants a branch. Now, if we had had a central branch, with branches throughout the country, we would have been in worse condition than regional branches, because that would have put you in less close contact.

Mr. Rue: My opinion is most all of them will want branches. By the time this system gets in full operation the banks will have to establish a number of branches.

The Secretary of the Treasury: Unquestionably. It is mandatory.

Mr. Rue: It is a good thing it is, because it will have to be to accommodate trade, but the question you have got to solve, where is the logical and best place to establish the head office. The head office ought to be where trade is concentrated and where the vast amount of trade passes, because there a bank can more properly fulfill its functions.

The Secretary of Agriculture: Now, we have had several suggestions recently, involving all or a great part of this territory that you have marked out, one going further to the south, with a northern line about the Potomac.



Mr. Rue: Going clear into Florida.

The Secretary of Agriculture: Yes. Their argument is that that region possesses an economic unit, historical and so forth, and that they would understand one another, and the bankers who have to deal with the problem there would understand credit conditions, whereas, if the territory were extended northward and the parent bank was in Philadelphia, that there the bank would be out of touch, out of sympathy -- would not understand the conditions. What would you say to that?

Mr. Rue: My answer to that is this, sir; As I understand that the power and function of the branch bank is going to be almost equal to that of the parent bank, and that the credit question will be passed upon by the branch bank -- but what you have got to consider too, it seems to me, Mr. Secretary, is this; In order to make this system work, you have got to supply to each district sufficient banking power. The question of credit will determine itself through the branches. The most important thing is the banking power.

The Secretary of Agriculture: Well now, let us see just a moment. Come back to that. The branch will have seven directors.

Mr. Rue: Yes, sir.

The Secretary of the Treasury: Four named by the Federal Reserve Bank -- regional Reserve Bank and three by the Federal Reserve Board. Whereas the Federal Reserve Bank has six of its directors named by the member banks. Now, they say that they do not want a branch bank, because after all the discretion will be lodged with the regional bank.

Mr. Rue: Is that so.

The Secretary of the Treasury: Well, I am just asking you.

Mr. Rue: Of course, I do not know. That is up to the interpretation of the law.

The Secretary of the Treasury: They will determine that in the law that is passed.

Mr. Rue: But won't it be natural, sir, following your suggestions, that if a head bank was located in Philadelphia, the Board of Directors of that bank are just as anxious as possibly can be that that bank should be a success. That it should not make any bad debts and that it should not extend any credits that are not justified. Now, if it has through its branch, we will say, in Charlotte or Augusta -- I don't care what town you make -- if it has to extend credit through its branch to the industries and the farming

interests, or whatever the activities may be in that location --

The Secretary of the Treasury: It extends it only to the member bank.

Mr. Rue: I know, but it is the same thing. They extend it to the member bank and have got to take the member bank's papers.

The Secretary of the Treasury: Exactly, but I mean it does not do it direct.

Mr. Rue: That is true, sir, but after all, the security which it is going to get is going to be the paper of the merchants and manufacturers and farmers of that district. Also, the member bank will want to have the very best light, the very best judgment, the very best information to determine whether the credit which a branch bank in Charlotte has asked for by its constituent banks, to grant them -- will know as practical bankers that the head office in Philadelphia will be enabled to intelligently pass upon those credits, and in selecting the four directors which they have the authority to name, to manage that branch bank, they will naturally select the men of that district that are best qualified to pass intelligent judgment on the credits of that section.

The Secretary of Agriculture: It does not follow that

the six directors of the regional bank would come from a single locality.

Mr. Rue: By no means, sir. It would not, because each constituent bank has a vote and it would be a very bad arrangement. I have no doubt each section would have its own representative. That is the point I make. Then in the management of the branch bank, the parent will want to make that branch bank a part of it. It is one body. The parent bank will want the branch bank to be just as strong in its organization as possible, and in order to be strong, it must have intelligent management. In order to have intelligent management, its directors will have to come from the merchants, manufacturers and business men of that locality, to pass intelligent judgment on the credits which are offered to it.

The Secretary of the Treasury: You said, very properly a moment ago, that the chief point here is the power of these banks, the several units.

Mr. Rue: No doubt about that, sir.

The Secretary of the Treasury: In view of that fact, is the location of the headquarters of such vital importance in the district, so long as the headquarters is accessible

and properly managed.

Mr. Rue: I think that it is important, in this particular Mr. Secretary. The management of the head bank have got such tremendous problems to deal with in extending credit to any section which belongs to them. They must be men that are in touch with the great flows of trade and commerce. They must be men that have broad knowledge; men who are, as I say, in touch with things and where the great commerce of that district concentrates. They must be. Now, that naturally is true of the metropolis of the district.

The Secretary of the Treasury: Well, that is an additional argument in favor of some particular point.

Mr. Rue: Not any particular point, but the metropolis of the district.

The Secretary of the Treasury: Well, I say that wherever that condition applies, it is an argument in favor of that particular point.

Mr. Rue: Yes.

The Secretary of the Treasury: But what I want to draw out from you, is to what extent you regard that as essential. Now, here is the treasury of the United States located at Washington and we have sub-treasuries throughout the country.

The transfer balance is made by wire. You want something in New York or Philadelphia, you can get it in a few minutes, relatively speaking.

Mr. Rue: Very relative, Mr. Secretary, Our experience is it takes a whole day and sometimes the next day.

The Secretary of the Treasury: It depends on the method of going at it, as to whether you use the wire or mail.

Mr. Rue: No, it depends on the machinery here in Washington.

The Secretary of the Treasury: I am very glad to learn about it.

Mr. Rue: It is not our experience, sir. We have had a great deal of difficulty.

The Secretary of the Treasury: I may begin at home with some reformation.

Mr. Rue: I am glad to have had the opportunity of telling you that.

The Secretary of the Treasury: That is very valuable information. I like to hear those things, because that is an administrative function that ought to be improved as much as possible. But, assuming that those banks are going to be better handled than the United States Treasury.

Mr. Rue: That is hard to imagine.

The Secretary of the Treasury: And that you can, by means of telegrams and the telephone have these transfers and exchanges made promptly, or effected promptly, and assuming again that the headquarters, wherever it may be in the district, is thoroughly accessible to have the banking power reside at that point, as against some other, it is not so thoroughly essential, is it.

Mr. Rue: I think it is.

The Secretary of Agriculture: We had an argument this morning, and the entire foundation for the claim was accessibility, disregarding everything else.

Mr. Rue: I think that is secondary, for this reason; I am trying to forget Philadelphia. From my experience as a practical banker, the vast transactions -- the great majority of the transactions of this Federal Bank will be where the greatest business is -- bound to be. Now, the greatest business is in the metropolis of the district -- bound to be, sir.

The Secretary of the Treasury; Gentlemen, the Secretary and I are obliged to attend a Cabinet Meeting at eleven o'clock. I would suggest that you return at twelve. I

18 think that we can be back at that time. We will ask to be excused as quickly as possible, in order to return; so if you will give us a little leeway, we will be here as quickly as possible after twelve. Then, we will continue the hearing until luncheon time. Thank you very much.

Whereupon, at 10.55 o'clock A.M. a recess was taken until 12.00 o'clock M.



AFTER RECESS 12.15 P.M.

STATEMENT OF LEVI L. RUE (Continued).

The Secretary of the Treasury: You had concluded, had you not?

Mr. Rue: Practically, Mr. Secretary. Just one other matter which we have gathered together since our hearing before, I made reference to the smaller territory NO.3. We have some figures which we would like to incorporate in our report, that illustrates what would be the banking powers of that Bank NO.3. Shall I repeat what that district was?

The Secretary of the Treasury: Yes.

Mr. Rue: That smaller district, Mr. Secretary, was the State of Pennsylvania, the lower half of the State of New Jersey, all the State of Delaware and the State of Maryland -- eastern shore --, I beg your pardon -- eastern shore of Maryland. Now, there are some other figures which I think might prove interesting to you. The following figures will include the amount of balances now held by the national banks of Philadelphia from, and the accommodations extended to the institutions outside of Philadelphia

in the large District NO.3, as collected from nine of the larger banks of Philadelphia. That will give some idea of the business we have. Balances, \$80,948,000. Accommodation, \$34,918,000. Number of accounts, 2730.

The Secretary of the Treasury: Referring to national banks only?

Mr. Rue: Referring to national banks only. Reference was made in the testimony that if, in the judgment of the Organization Committee, it was deemed desirable to group about Philadelphia smaller district NO.3, which would include Pennsylvania, southern New Jersey, Delaware and the eastern shore of Maryland, this would create a better reserve district as follows:

Population	9,081,000
Number of national banks	976
National Bank capital.	\$127,800,000
National bank surplus	\$148,164,000
Individual deposits	\$798,700,000
Capital Federal Reserve	
Bank	\$ 16,544,000
Minimum deposits	\$ 42,000,000
Total banking resources	\$3,053,240,000

Total number of banks                    1589

The reports issued by the Comptroller show that while bank deposits of the National Banks of Philadelphia increased 92 per cent in the period since September 5th. 1900, to October 31st. 1913, the individual deposits also increased 60 per cent.

Mr. Secretary: I have no more testimony to give for Philadelphia and that which I have given in the report of the Clearing House Committee of Five. The other members of the Committee are here. They all concur in the report which I have given, and of course, are willing to answer any questions if you desire to ask them, in reference to the report which we have rendered. If it is not your desire to call them and ask further questions, a delegation is here from New Jersey, and from Delaware and Pennsylvania, outside, that would like to be heard in reference to a Federal Reserve Bank in Philadelphia.

The Secretary of the Treasury: I believe the Committee has at present in very compact and satisfactory form a lot of the information that we require for this purpose, and I do not think we need any further information on the subject, although if any gentlemen are here from Philadelphia, who

desire to speak briefly - -

Mr. Rue: That is the view of our Committee. They did not think it was necessary, unless you desired it.

The Secretary of the Treasury: It does not occur to us that there is any additional information necessary. Mr. Secretary, do you think of anything additional?

The Secretary of Agriculture: I cannot think of anything further, than to ask this one question: To what extent is the present course of trade from Virginia and North Carolina, with Philadelphia, rather than with Baltimore or some of these other cities.

Mr. Rue: I will see if I can give you that, by states.

The Secretary of Agriculture: I have noted the number of banks.

Mr. Rue: I think I have that information, not the commerce. There was no way, Mr. Secretary, we could get the flow of commerce, except as indicated by the banking transactions.

The Secretary of Agriculture: I mean the banking relations especially.

The Secretary of the Treasury: You have given that.

Mr. Rue: I think that is covered in our brief.

The Secretary of the Treasury: I may say this, that if

anything occurs to you gentlemen that you care to say you can do it at any time through a supplemental brief. Just address it to the Organization Committee, and it will be given due consideration, of course.

Mr. Rue: We are very much obliged to you for your courtesy.

The Secretary of the Treasury: There is a delegation from the State of Delaware. Have you selected a spokesman, or do you want to call on any one in particular.

STATEMENT OF CHARLES R. MILLER.

Mr. Miller: I can state in about twelve words what Delaware has to say on the subject, sir. The State of Delaware -- I am Chairman of the Executive Committee of the State Bankers' Association, composed of 50 banking institutions, and we desire to endorse in the entirety what Mr. Rue has said to you, and that represents the combined banking interests of our state, sir.

The Secretary of the Treasury: Governor, would there be any serious dislocation of normal course of business in Delaware -- I mean the kind of business which would be done by a Federal Reserve Bank, if the headquarters were located

at Baltimore or Washington, for instance, and a branch was established at Wilmington.

Mr. Miller: We practically have no business with Baltimore or Washington. All our business is transacted through Philadelphia.

The Secretary of the Treasury: I am speaking now of the business that would be done with a Federal Reserve Bank. It seems to be an inclination to view the thing from the other standpoint all the time, whereas this is a new function that is going to be exercised.

Mr. Miller: We have discussed that question.

The Secretary of the Treasury: I mean the normal courses of exchange between banks themselves, not interfered with by this system. I say would it make any difference, in your judgment, whether the headquarters were at Philadelphia or Baltimore, or even Washington?

Mr. Miller: We feel it would.

The Secretary of the Treasury: Provided, of course, you had the facilities through the branch established in Wilmington, for instance.

Mr. Miller: We did not view that. We did not think that was a possibility. That question has never presented

itself to us.

The Secretary of the Treasury: The matter of re-discounting, as well as every part of inter-relationship between the banks in Delaware and the Federal Reserve Bank, wherever located, and it might be handled through a branch, as I said, before. Now, in these circumstances, would it make such a great amount of difference whether the headquarters bank was in either one of those three places for that district,

Mr. Miller: We feel that it would.

The Secretary of the Treasury: You feel that it would, but I mean have you any facts or anything that would indicate,

Mr. Miller: I have never considered that phase of it, Mr. Secretary, but the entire volume of business from our state, goes in that direction, and I would have to confer with the other banking institutions, to ascertain. You want accurate information, sir?

The Secretary of the Treasury: Yes.

Mr. Miller: I would not care to express a personal opinion, which might not convey to you the true conditions, sir. We go to Philadelphia for all our re-discounts and all our commercial paper is purchased -- we do not know

commercial paper through Baltimore.

The Secretary of the Treasury: Suppose this system were established, as I said a moment ago, and you had a branch bank in Wilmington, with which you would do your <sup>re-</sup>discounting, which would be the representative of the Federal Reserve Bank, wherever those headquarters happened to be, and that was a branch bank, conducted by a committee composed, of course of people who were familiar with local conditions, you would get just as good facilities, and may be better ones than you do under the present system.

Mr. Miller: That is quite possible, sir.

The Secretary of the Treasury: And in those circumstances you would have to go less far for your re-discounts than you go now.

Mr. Miller: Yes, sir.

The Secretary of the Treasury: And whether the headquarters bank were in Philadelphia, or in Washington, in this instance you would get the same facilities, would you not?

Mr. Miller: I should think, Mr. Secretary, that that is a question that would have to be developed in the light of future circumstances.



The Secretary of the Treasury: Thank you very much, Governor.

Mr. Miller: We have no re-discounts.

The Secretary of the Treasury: I notice from the statement submitted. That is the reason that I thought it was of such importance.

Mr. Miller: Thank you, gentlemen.

The Secretary of the Treasury: Does any one else desire to be heard from Delaware?

STATEMENT OF GALEB M. SHEWARD.

The Secretary of the Treasury: Mr. Sheward, you are vice-president of the Wilmington Trust Company?

Mr. Sheward: Yes, sir.

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

Mr. Sheward: I am here representing an organization, Mr. Secretary, really of the Delaware Bankers' Association, and after our meeting we felt it was our duty to say what we could in behalf of what we thought was the proper location for a regional bank. The banks of the State of Delaware, in entirety, look to Philadelphia in a financial way. The

trend of business is toward Philadelphia. We buy a great deal -- some of the banks do of commercial paper, single names and double named paper, and there is very little of that paper bought, except through the advice of our Philadelphia correspondents. I cannot recall scarcely where we go to Baltimore for advice on commercial paper. We would be in a foreign land. The State of Delaware today, as it is located between the Chesapeake and Delaware Bays, with a great increase in production of berries and fruit, is bringing a great deal of money into that state, and some few years ago where there was three banks in each of the two lower counties, today there are probably a dozen or more; and I know from our connection in the larger cities that they are very closely allied to the Philadelphia banks, and I think if there was a regional bank in Baltimore or Washington, it would be an unnatural trend for us to pursue.

The Secretary of the Treasury: Well, it would not be unnatural for you to borrow money from such a bank, if it had it and was willing to lend it, would it?

Mr. Sheward: Mr. Secretary, I think outside of probably one bank in Wilmington, that we seldom borrow any money. It is an exception, and when that bank borrows, I think they

go to the Savings Fund. We have a very strong savings fund there, with about eight millions of deposits and it is very seldom that they go outside to borrow money.

The Secretary of the Treasury: That being true, then the location of this headquarters bank, as far as the re-discounting feature, is not important to Delaware.

Mr. Sheward: It is not important, for this reason; while we are a large manufacturing city, we have, I guess, two of the largest car building concerns in the east there, both concerns also building boats. The largest, I guess, morocco industrial centre in the country, and considering the agricultural pursuits that are going on around us and the manufacturing facilities, we have to go outside and buy commercial paper to keep our money employed.

The Secretary of the Treasury: Exactly; now you buy commercial paper and you do not re-discount it as a rule.

Mr. Sheward: No, sir.

The Secretary of the Treasury: The result is, that as far as the re-discounting facility afforded by one of these banks is concerned, you wouldn't resort to it, even.

Mr. Sheward: No, sir.

The Secretary of the Treasury: But if you did resort to

it, you will probably get just as good money at Baltimore, or Washington, as at Philadelphia.

Mr. Sheward: If we needed it for re-discounting, we could.

The Secretary of the Treasury: Now, it is not, of course, only the re-discount facilities afforded by these banks that deserves consideration. They perform other functions -- these regional reserve banks, and I think it probably might be wise to say this: The function of these banks is not to interfere with the normal course of exchanges between banks themselves. That will continue just as now. These are reservoirs for the reserves and for other resources which are going to be put into these banks, to be utilized by the member banks when they require them for specific purposes. Of course, and for this purpose it is important -- for all purposes important, that they should be located at the right place, but there seems to be a disposition to lay too much stress upon re-discounting facility and upon the location of the bank, in order that that facility may be had, and there seems in turn to be a thought that the regional bank is going to be officered very largely in the community in which it is situated. That is, the directors are going to

be very largely in that particular community. Now, the bill provides that the banks in each district shall be divided into three classes. The banks of certain capitalization form one class, another capitalization another class, another capitalization still another class, and these different classes of banks elect two directors of this Federal Reserve Board, and it is assumed -- well, it is required by the Act that they shall be representative of the general interests of the district, so that wherever the headquarters is located, all parts of the district are likely to be represented in that Board; so that there will be people there at all times, able to judge the credits of the different parts of the district. I mean not only on the Board of the regional bank, but also on the Board of Directors of the branch banks that may be established. Now, in that view of the case, as far as the re-discount feature is concerned, we would like to have argument advanced as to what is the best location for the Federal Reserve Bank, in any given district.

Mr. Sheward: Well, now, in answer to that, I would say in relation to ourselves we carry perhaps a half a million dollars of purchased commercial paper. If we want advice

as to the stability of these names, we go to the sources naturally in the locality where that paper is dealt in.

The Secretary of the Treasury: You would continue to do that, no matter where the Reserve Bank is located.

Mr. Sheward: If we wanted that paper re-discounted, we naturally would go to your bank that had the management, or the directors that were familiar with that paper. We would go there asking them to take it for re-discount. Now, it seems that the directors that would be appointed in Philadelphia, would be more conversant with that class of paper that all of the banks in Delaware would have, than the directors in Baltimore or Washington.

The Secretary of the Treasury: Undoubtedly, Philadelphia would have a representative on this Board, no matter where the headquarters bank would be located, but assuming there was a bank at Wilmington, you would apply to Wilmington bank, where you had local directors.

Mr. Sheward: It would be compulsory, would it, to apply to the local bank there?

The Secretary of the Treasury: It would be natural. You would very naturally apply right in Wilmington.

Mr. Sheward: Mr. McAdoo, from Philadelphia to Wilmington,

we are so near a suburb of Philadelphia that I think in ten years we will be a part of them. While we would like to have a branch bank there, we are so near Philadelphia that not at this date do I see that it is necessary to have one.

The Secretary of the Treasury: No, I did not mean to have you assume that there would be one. I was stating a hypothetical question. That if one is there, would not that give you the facilities. That is all, thank you.

#### STATEMENT OF WINFIELD H. MINCH.

The Secretary of the Treasury: Will you kindly state your name and business?

Mr. Minch: Winfield H. Minch. I am Vice-President of the Bridgeton National Bank in the southern part of the state, and do not represent the northern tiers, whose close proximity to New York would probably drive them to New York. I was selected to come here, because just at this year I happened to be president of the New Jersey Bankers Association, and as I figure it, and you probably know from statistics, that south Jersey banks represent about 102 or 103 of the 330 banks in the state of New Jersey, and their combined capital, of course, is small as compared with the

bankers Mr. Rue represented this morning. While our capitalization is small in a great many banks, their interwoven relation with Philadelphia is so strong that we feel that Philadelphia would be a better centre for us to work in than either New York, Baltimore or Washington. I have taken some little pains, in just the day I have had time to look it up, and I find that some of our banks clear ten times as much through Philadelphia today, as they do through New York and all other sources. The lowest bank I heard from cleared three times as much through Philadelphia as New York. I did not take this up personally with Trenton banks, because I did not have time. I tried to get two or three banks on the phone yesterday morning, but could not do it. I am sure their normal trade would be greater through Philadelphia than New York. We have in that southern tier about \$98,000,000 deposits.

The Secretary of the Treasury: Will you kindly state what is the southern tier now, by counties?

Mr. Minch: I drew the line, including Mercer County on the south, and I did not take in the south seashore resorts.

The Secretary of the Treasury: Did you take in Atlantic City?



Mr. Minch: Yes, sir, I did not take in Asbury Park and Long Branch, but I was told by Congressman Scully last night that the banking institutions of his Congressional district were very anxious to have Philadelphia have a regional bank. In the spring of the year -- now, speaking more particularly, Mr. Secretary, to the extreme southern end of the county, which we call the rural district, while we are developing very fast into intense farming, our banks in that location are handicapped somewhat. We have there an oyster industry whose product is about \$6,000,000 a year. They draw on us in the spring of the year to plant oysters. Our farmers do the same thing, draw out money and give us notes. Our glass manufacturers, which are only second in the United States, I think, in these lower tiers of counties, draw on us for their summer supply, so we are re-discounting in the spring of the year, and when it comes to August, September and October we get more money than we know what to do with. We have to go to Philadelphia and buy commercial paper. We try to buy that to make it come due so we can use it the next spring; so we are in close touch with Philadelphia, almost every day. If our patronage is short tonight, we jump on a train and have it to our credit at eleven o'clock

tomorrow morning, so it is very handy and in close proximity to us. I want to endorse the very able argument and brief that Mr. Rue has presented to the secretaries, and I think that so far as South Jersey is concerned, that we would be very anxious to have an exchange at Philadelphia as a regional bank.

The Secretary of the Treasury: Wherever such a bank might be located, do you feel the South Jersey territory would be included in some district with Philadelphia, in any case?

Mr. Minch: I think not, Mr. Secretary. I think the entire banking fraternity of New Jersey, if Philadelphia is not a centre would rather go to New York than they would to come to Washington or Baltimore, because we have no exchange or no acquaintance with those territories at all.

The Secretary of the Treasury: As I said before, there will be, no matter where this bank is located -- there will be no interference with your ordinary transactions or corresponding banks.

Mr. Minch: I quite agree to that, except we would rather deal with the mother institution than we would with the branch.

The Secretary of the Treasury: Thank you. Any one else

from New Jersey to be heard.

**STATEMENT OF MONTGOMERY EVANS.**

**The Secretary of the Treasury: Will you state your name and residence?**

**Mr. Evans: Montgomery Evans, President Merristown Trust Company; and while I happen to be the president of the Pennsylvania Bankers Association, I do not appear for them, because we have had no meeting to discuss this question, but I do appear as a representative of Group 2, composing half a dozen counties of the southeast district of Philadelphia, including the Schuylkill Valley and Schuylkill Valley coal fields. I do not intend to take up your time by doing much more than to affirm in behalf of that district, most earnestly, all that has been urged by the representatives of Philadelphia. I would not, I could not if I would, and I would not if I could, repeat or attempt to amplify the reasons that were given by them. From a number of letters from the various banks and banking institutions in this Group, the reason might be assumed up in a few sentences; First, that that territory naturally and necessarily appeals to and turns toward Philadelphia, and**

if any other regional bank were named than Philadelphia, Philadelphia then would simply be but a conduit to carry on to the other place this influx and reflux of money. In other words, we would be sending through Philadelphia to the other regional bank, rather than to Philadelphia as we would hope it should be, and as to our reason, other than what has been said I am simply putting that in a different form. It seems to us that an inspection of the map of your country, and an inspection of the records of the Treasury Department, with a history of the country attending it, necessarily names Philadelphia as a regional bank city, because the people have named that place, by building up their principal city as our metropolis, both in population and in financial business. That is our financial centre. That is the natural financial centre of that locality, and there does not seem, from the district that I represent, anything more to be said. The people have made that in the history of the country the great metropolis, and there is no section where the financial interests are more thoroughly centered than in this city for which these people have appeared.

**The Secretary of Agriculture: How far are you from**

Philadelphia?

Mr. Evans: I am only 17 miles from Philadelphia.

The Secretary of the Treasury: Mr. Evans, how is the law of Pennsylvania with respect to state banks and trust companies, taking stock in this system. Have they power to do it?

Mr. Evans: Mr. Secretary, that is a question that I would not like to give an opinion on at present, because it is a question that would have to be considered with a great deal of care. The law of Pennsylvania, by special charter, authorizes trust companies to do certain particular things, the things that are also authorized under the new Currency Act. Now, whether there must be additional legislation before the state banks go under the control of the national system, that might conflict with the laws of Pennsylvania, and I would not undertake to give an opinion at this time.

The Secretary of the Treasury: I am speaking more about the right to subscribe to stocks.

Mr. Evans: I think there is no question.

The Secretary of the Treasury: I assume the trust companies would have the right, because they generally do.

Mr. Evans: Yes, sir.

The Secretary of the Treasury: Thank you.

STATEMENT OF H. S. WHITEMAN, JR.

The Secretary of the Treasury: Give your full name and residence, and occupation?

Mr. Whiteman: Vice-President and Cashier of the Clearfield National Bank of Clearfield, Pa.; Chairman of Group 6, Pennsylvania Bankers' Association. Mr. Secretary, I come from a section of the state that has contributed largely from its natural resources to build up the great shipyards of New Jersey, Delaware and contributed largely to the building of Philadelphia, through the vast virgin timber forests, which as you all know have been devastated. We are now developing fire clay and bituminous coal. Millions of tons of it are all drifting to the east. We are furnishing it in Washington, New York, Philadelphia, and our fire clay for manufacturing bricks is leading all parts of the world. In Clearfield County we have the finest fire clay that is found anywhere in the United States, particularly fine brick. All of our natural resources, the greater part of them, come to the east. Naturally there is where our funds lie. In Clearfield County we have

an abundance of money at all times of the year. In the 22 years that the Clearfield National Bank has been organized, it has never re\_discounted a single dollar. I can say the same of other banks in that section. We look upon Philadelphia - -

The Secretary of the Treasury: Is that because you never need it, or because you have a feeling that many of the banks have, or most of them have on the present system, that re-discount is discreditable.

Mr. Whiteman: No. It is because we have an abundance of money there. The last census gave Clearfield 6,851 population. We have today \$4,120,000 on deposit.

The Secretary of the Treasury: So the need never arose for re-discounting?

Mr. Whiteman: Never comes; always have a surplus to loan.

The Secretary of the Treasury: Proceed.

Mr. Whiteman: That naturally comes to Philadelphia and part of New York and part of the adjoining counties there lean toward Pittsburg. East of the Alleghenies I think it trades towards Philadelphia. We all have accounts in Philadelphia. We look upon Philadelphia as New York looks upon New York City. We favor a regional bank in Philadelphia

delphia.

The Secretary of the Treasury: Suggestions have been made at some of the other places we visited of an arrangement of this territory, so that Pennsylvania would be divided, half of it going, for instance, to the New York district and half of it connected with some part of Ohio and form a separate district in that way. Would you consider the division of the State advisable in those circumstances?

Mr. Whiteman: No, I would not, Mr. Secretary. I think the natural tendency is towards New York.

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

Mr. Whiteman: Yes, I feel safe in making that assertion. If Philadelphia does not get the Reserve Bank, we will naturally keep our requirements to whatever district we might be assigned to, but just as sure as the waters of the Susquehanna eventually reach Atlantic Ocean, so the surplus of funds of that section of the state will reach New York, if Philadelphia is not designated as a Reserve city.

The Secretary of the Treasury: Well, there is a certain amount of it that cannot reach any place, except the bank that is established, and that is all we expect to get, as



a matter of fact. That cannot be altered you know. That is all, thank you.

## STATEMENT OF MR. JOHN C. CARTER.

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

Mr. Carter: John C. Carter; president of the Fulton National Bank of Lancaster, Pa., and I am Chairman of Group 5 of the Pennsylvania Bankers Association.

The Secretary of the Treasury: You are familiar with our problem, and we would be glad to have your views. You have heard Philadelphia's case presented.

Mr. Carter: I have heard Philadelphia's case presented, and I do not wish to add or subtract very much from it. I have been invited to help them, by reason of being Chairman of Group 5, which consists of 11 counties in Pennsylvania, one-sixth of the entire state, representing in resources probably \$300,000,000 in banking capital and deposits; one county, my own county of Lancaster, representing nearly \$50,000,000 in 49 banks; and York County and Dauphin County, are large counties, approaching if not probably exceeding Lancaster in some respects.

The Secretary of the Treasury: So you feel that the Reserve Bank in this district should be located at Philadelphia?

Mr. Carter: I do, yes. The natural trend is to Philadelphia?

The Secretary of the Treasury: Your relations would be almost wholly with Philadelphia, in Lancaster I should say, of course.

Mr. Carter: Yes.

The Secretary of the Treasury: We thank you.

#### STATEMENT OF MR. SAMUEL McCracken.

The Secretary of the Treasury: You may state your name and occupation, for the record.

Mr. McCracken: Samuel McCracken, Wilkes-Barre, Pa., cashier of the People's Bank; I am also chairman of Group 3, of Pennsylvania Bankers Association.

We fully agree in our section of Pennsylvania that Philadelphia's claim for a regional bank should be sustained, believing that it would best serve our interests, as practically the majority of our business centres around New York and Philadelphia. They clear practically everything for us, under the present arrangement, which of course is advantageous to us now, and it seems to me under the clearing system alone, if we have to send our

items, which are principally drawn on New York and Philadelphia, down to Washington or Baltimore or some other section, it would simply be back tracking on the proposition and losing time which, from our standpoint is not advantageous, because we believe we ought to collect our items by direct route if possible.

As to the re-discounting feature, Washington I believe does not rediscount except in extra panicky times, and I think a bank located in Philadelphia, which has been serving our section so well, even though the directors were not all from that one city, they would have the advantage of being in very close touch with information available in the banks of Philadelphia throughout all our section. I think you could find possibly in at least half a dozen banks in Philadelphia the information about almost every bank in our section, and the demand of industries represented in our section. I think it would be a benefit to the Board of the regional bank to be located where that information is close at hand, because it seems to me our only time of using rediscounts would be in panicky times when we could not wait until the Reserve Board located possibly in Washington or Baltimore, would take

the necessary steps to find out about our paper.

The Secretary of the Treasury: We hope you will not have any more panicky times under this system.

Mr. McCracken: We hope this will obviate that, but this is the only time when we would find it necessary to use such a feature. We used it in the panic of 1907, not to re-discount, but to borrow on bonds, and we have not had to use it since. I think that is pretty general throughout our section.

The Secretary of Agriculture: You prefer Philadelphia to New York?

Mr. McCracken: As far as we are concerned, in Wilkes-Barre and from Wilkes-Barre down through to Allentown, I think all would prefer Philadelphia to New York. Of course the northern end around Scranton and Lackawanna County, I think up there they would prefer to be attached to the New York Bank. In fact, the Scranton Clearing House passed a resolution, a copy of which I have with me, indicating that if they could not be attached to the zone of the New York bank, by all means they ought to be attached to Philadelphia, and regardless of where they were to be attached, they were very strongly of

## Samuel McCracken

the opinion that Philadelphia ought to have a regional bank.

The Secretary of the Treasury: Do you want to leave that with us?

Mr. McCracken: I have a number of letters from members of our group, and that is among them.

The Secretary of the Treasury: You might file them as part of your testimony. We thank you.

## STATEMENT OF MR. W. H. PAINTER.

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

Mr. Painter: W. H. Painter, cashier of the West Branch National Bank, Williamsport, Pa.

Mr. Secretary, I think I have very little to add to the knowledge you have gained this day. I am Secretary of Group 4 of the ten counties in the northern tier of Pennsylvania. Sending out a communication to the 74 different banks, I received 74 answers with only one positively against Philadelphia. Upon that we rest our claim.

The Secretary of the Treasury: Will you file those here?

Mr. Painter: I sent them down to you and I think they should be here. We have been closely connected with Philadelphia for a number of years, and we are here more on account of the service rendered by Philadelphia than anything else. During the check collection charges on New York, Philadelphia came to our rescue and took us in -- I mean in a biblical sense.

The Secretary of the Treasury: I am trying to grasp that.

Mr. Painter: During the currency panic Philadelphia was a tower of strength to us. I would like just to add, in looking over the list of statements at Boston, I noticed a Massachusetts Banker sent out 190 communications to banks, to which he received 110 replies, 28 being in favor of New York. That is quite a contrast as compared with Group 4 in Pennsylvania alone.

I do not care about disparaging the other points mentioned, but to take a great big city -- state like Pennsylvania and attach it to a town like Baltimore, is like putting a big tail on a small dog, and as far as its practical working would be, it would be like Captain Cuttle's watch, that had to be turned forward about sixteen times a day and then would not keep time.

The Secretary of the Treasury: Do you want to repeat that statement at the hearing this afternoon?

Mr. Painter: I am afraid my friend Ramsey is here now.

Mr. Rue: The Chamber of Commerce of Wilmington has passed a resolution, I understand, but they neglected to bring it with them, and would like to have the privilege of filing it later.

The Secretary of the Treasury: It may be filed, and as a matter of fact, anything which has been omitted can be filed later.

The Secretary of Agriculture: I should like to ask Mr. Law a question. A good deal has been said about people feeling at home in Philadelphia. I notice you have included Virginia and North Carolina. Would connecting them with Philadelphia, as this might indicate, do any violence to their banking relations, and what would you think they would say of this matter of feeling at home?

Mr. Law: I think the Philadelphia banks today have a great many useful relationships of that sort. Those relationships exist with national banks, state banks, industrial operations and wholesale houses, and they are steadily growing. Philadelphia is more of an industrial



city than a wholesale jobbing city, and it is a great consumer of the raw material that those southern states produce, such as cotton, yarn, timber, coal, truck products and fruits.

The Secretary of the Treasury: I notice from the chart here that Philadelphia has the accounts of 44 banks in North Carolina.

The Secretary of Agriculture: Baltimore has 53.

The Secretary of the Treasury: And she has 57 with Virginia, 37 with Georgia, and 21 with South Carolina. That is not very large.

Mr. Law: You must recollect that these are national banks. I suppose those are the reserve appointments that you get from the Comptroller's records. Now there are a great many state banks that also deal with Philadelphia.

The Secretary of the Treasury: Yes, I am only speaking of national banks. These are the charts from the Comptroller's office showing the number of banks keeping records in the different states, in the different reserve centers.

Mr. Law: I would imagine that Richmond and Baltimore would probably have a larger number of accounts in that territory than Philadelphia has at the present time.

Mr. Rue: Might I inject a remark there, Mr. Secretary?

The Secretary of the Treasury: Certainly.

Mr. Rue: I do not think the number of accounts necessarily indicates the business. There is a vast number of small banks in that territory whose business is strictly local.

The Secretary of the Treasury: This only relates to the keeping of reserves.

Mr. Rue: I understand. And they would naturally have accounts probably in a city like Baltimore or Richmond, whereas the banks in the larger cities of that territory would carry big balances in Philadelphia.

The Secretary of the Treasury: This is only of value as giving sort of a line on the situation.

Mr. Rue: Yes. I just wanted to make that explanation.

Mr. Law: I want to give you one view of this. Here is a watershed, and Philadelphia is near the mouth of that river, and that is the channel through which business customarily flows, and conveniently flows, and I believe when you look over the districting of the entire country, you will see that in nearly every instance the city where you will locate the head office will be on one side of the territory. You will find it that way in the case of New York. There is a current which tends towards the east. Throughout

the Atlantic States and the South Atlantic States this current of trade flows towards the northeast, and I have no doubt in these various examinations and hearings that you are carrying on that you will find that nobody wants to go contrary to that current. You will find that the Richmond bankers will protest against dealing with Atlanta, and you will find that the Baltimore bankers will protest against dealing with Richmond as a head office; but you will find that they all, as a second choice, will select some city towards the northeast of them, because that is the natural current of trade, necessarily following the natural current of business.

May I illustrate this further. If you locate the head office of this district which we have described here in Baltimore, you will do as great violence to that natural course of business, as you will to locate the New York district in Albany, or the Chicago district in Indianapolis. Because the great city where the accumulation of banking power is, in the city where you want to locate your head office, provided it has accessibility, which I think we have proven. Banking power is the first consideration accessibility the second, and the third is a diversified

class of business throughout the district, so the bank will be self supporting.

The Secretary of Agriculture: I was going to ask you there, as you heard me say a few moments ago, we have had several suggestions defining a territory reaching from the Potomac to the south and southwest. Do you think that would be a better grouping, or to have it divided and have part of it the leading section, as you propose? You are familiar with the south?

Mr. Law: Gentlemen, I think you want to have as many strong districts as possible, as many self supporting districts as possible, and then make the districts which are sure to be always borrowing districts, as small as possible, to come within the requirements of the Act; but make every unit that you possibly can a self supporting unit, where the diversity of business will enable the credit area to take care of the debtor area.

The Secretary of the Treasury: The larger the number of units you make, the less likely you are though, to accomplish that purpose. I mean I judge from what has been said, because you reduce the area, and therefore you are more likely to get a district in a number of places where

there is not the requisite diversification.

Mr. Law: The number of your units is going to be determined very largely by accessibility in my judgment, in order to give them efficient banking service.

The Secretary of the Treasury: You can get accessibility pretty nearly everywhere. The question is the power to take care of the requirements of the district.

Mr. Law: I am referring especially to these small districts. The reason you have to create these weaker districts, if I may use that term, is in order to provide accessibility to a Federal Reserve city.

The Secretary of the Treasury: Thank you, Mr. Law. Now is any one else here who desires to be heard? If not, we will declare this hearing closed, and we will hear Pittsburgh at two o'clock. A cordial invitation is extended to any gentleman from any other city to be heard.

STATEMENTS PRESENTED BY REPRESENTATIVES OF  
WINSTON-SALEM.

STATEMENT OF MR. H. E. FRIES.

The Secretary of the Treasury: Mr. Fries, you may state your name and occupation for the record.

Mr. Fries: Mr. H. E. Fries, Vice President of the Board of Trade of Winston-Salem and President of the Winston-Salem Southbound Railway Company. We are here not to detain you, gentlemen, because I know it is after the hour of adjournment, and you have had several resolutions presented by our Board of Trade. Our position in a nut shell is that we expect to be joined to a regional bank north of us rather than south of us. I wrote to Secretary Houston a few days ago giving him a very brief outline of our situation from the standpoint of the agricultural interests and of our affiliations in banking, which are northward rather than south.

The Secretary of the Treasury: What would you say about this district proposed by Philadelphia, or rather by Pennsylvania here, and facing North Carolina, Virginia, Maryland, Delaware and Pennsylvania, and having a regional bank at

Philadelphia, that is the headquarters.

Mr. Fries: It would not be objectionable to our people. The only question which would arise is just a little difference in the time of transportation of our commercial paper. But we would decidedly prefer a northern bank to a southern connection.

The Secretary of the Treasury: Of course Richmond would undoubtedly have a branch, and you would get the same facilities through that bank really that you would get through the head office?

Mr. Fries: Yes.

The Secretary of Agriculture: It would be like making water run the wrong way to send you south?

Mr. Fries: Yes; all our connections and associations and affiliations are northward.

The Secretary of the Treasury: For instance, you would not want to be sent to a bank at Atlanta, you mean?

Mr. Fries: No.

The Secretary of Agriculture: I should like to ask you one question on this point. Two of the delegations which have appeared here, have drawn a district from the Potomac River southward. Now that is normally a borrowing territory, is it not?

Mr. Fries: Yes.

The Secretary of Agriculture: Would it be your judgment that we should avoid that if we can, and that we ought to have normally part of a borrowing territory in a district which is hardly a lending territory?

Mr. Fries: That would be our view.

The Secretary of Agriculture: Because it would be apt more nearly to be self supporting in times of stress.

Mr. Fries: Yes. We want to be in a district which can be taken care of independently of the other sections. If it is necessary to go to them we can go, of course, but we have a good deal of foreign paper coming to us through the tobacco interests in our town, and that must necessarily come through the port of entry, and for that reason we are extremely anxious for this northern connection.

The Secretary of the Treasury: You do a great deal of discounting at Winston-Salem, I mean your banks do?

Mr. Fries: Yes. My brother is president of one bank, and Mr. Maslin is president of another, and I am a director in a third institution of which my other brother is president, but he is sick and could not be here. But these gentlemen are more able to speak about the re-discounts than I am.



The Secretary of Agriculture: What is your opinion as to the trend of business, is it more largely to Richmond, Baltimore, Philadelphia or some other city?

Mr. Fries: Our trend -- and these bankers can speak about that more than I can -- I should say it is more to the north, to either Baltimore or Philadelphia.

The Secretary of the Treasury: And Richmond?

Mr. Fries: Yes, Richmond is convenient, and we have a great deal of business with them, but the greater volume is with the northern centres.

The Secretary of Agriculture: Have you gentlemen anything to add to what Mr. Fries has said, or do you simply endorse it?

#### STATEMENT OF G. W. MASLIN:

Mr. Maslin: I wish to add that we are not a cotton territory and therefore are unique in that respect in our territory, because the trend of the large manufacturing territory is almost entirely east. Our paper is such that we would not hesitate to send it to Washington, Baltimore or Philadelphia. Richmond would be infinitely more valuable to us than Atlanta, because our whole government is this way, and to put us back the other way is simply reversing the laws of commerce.

The Secretary of the Treasury: Assuming one of these four cities was to be a regional bank city and you were in the district, which one would best serve the interests of the district, do you think?

Mr. Maslin: Washington would be very acceptable to us. We have just supposed that Washington would be more natural than Richmond, but Baltimore would be our second choice. Either one of them, we could put our paper into Washington or Baltimore by early delivery and save one day's time on a great many transactions as compared with New York; but either of those cities would be acceptable to us, because they are in the natural trend of our territory's trade. We are manufacturing people, and therefore are not a large deposit city. Mr. Fries is a director in the largest bank of the city, which is a state bank, with a deposit of six millions and over, and we have ample demand at home, all the year round, for our funds, because of the increase of the manufacturing capacity that is always going on. Therefore, we are not seeking to borrow money from surrounding cities, but if we have to go there our paper is not at all such that we would hesitate to send it, and we would like to have a lending capacity as well

as the others.

The Secretary of the Treasury: Suppose you had headquarters bank in Philadelphia, and a branch in Richmond; your transactions would be with Richmond?

Mr. Maslin: Yes, our only fear is that we may be put in the south. Our dividing line should be to the south of us, because our business all comes this way.

STATEMENT OF MR. JOHN W. FRIES:

Mr. Fries: I would like to say one word. I am president of the Peoples National Bank of Winston-Salem. What my colleagues have said about any point north of us being satisfactory, I concur in, entirely. But personally I would like to emphasize what I have assumed to be the likely solution of the question, that there would be a bank in Washington. I assume that if this act works as contemplated, it is going to be a great national institution, largely under the control of the Government, and that the business done with the United States Treasury will be very large. I assume that the natural thing would be to consider that quite as much as what these other gentlemen say about

local business and local interests. The biggest business that this new institution will do will be with the United States Government, and the desirability of Washington as our Reserve Bank city applies particularly to an institution like ours, and I can therefore speak strongly about it, in that we have to remit to the United States Treasury from our town \$5,000,000 and more per annum for internal revenue, and the nearer we get to the United States Treasury with that, whether there be a local depository there in the future or not, the better it is for the business of our community. And my preference would be decidedly for Washington City, although we can do business without violence to the customary course of business with either of these cities.

The Secretary of Agriculture: Do you say that, in spite of the fact that Washington is not in the same sense as these other cities are, a commercial centre?

Mr. Fries: I have not understood that these new banks are to be commercial banks, and in spite of that fact I do not see that a branch at Richmond would do us any good. We could deal with Washington as well as with Richmond, and we would certainly prefer to deal direct with a big

bank in Washington.

That is another thing that strikes me. There is the opportunity, if you gentlemen in your wisdom so arrange the district, to make a bank in Washington which will compare favorably with New York and Chicago, perhaps not in volume of money, but in influence and power. And I would very strongly like to be connected with a bank in Washington City, although we can do our business with the other cities.

The Secretary of Agriculture: Would you make us a map showing us what territory you would include in a district with Washington as the centre?

Mr. Fries: Well, --

The Secretary of Agriculture: That is what we have got to do.

The Secretary of the Treasury: We have some sheets here, and if you will take one and outline the district on it and send it in later, we would be obliged to you.

Mr. Fries: I overheard the argument of Philadelphia as to their big district, taking in the whole South Atlantic Coast, or pretty nearly so; they want to go from the Northern boundary of Pennsylvania to Key West --

The Secretary of the Treasury: No, they only included

North Carolina.

Mr. Fries: Well, they suggested it.

The Secretary of Agriculture: Washington has submitted such a map, and if you will get a copy of that, it might help you. But we should like to get your views on it.

Mr. Fries: I know so little about the banking requirements of the country at large, that I would hesitate to draw a map.

The Secretary of the Treasury: We are only speaking of the district you would have served from Washington.

Mr. Fries: Just from Washington?

The Secretary of the Treasury: Yes.

Mr. Fries: And leaving out Pennsylvania?

The Secretary of the Treasury: What you think should go in.

Mr. Fries: If Pennsylvania is included, it would be entirely satisfactory to us, because we do a very satisfactory business with Philadelphia.

The Secretary of Agriculture: We want you to include the territory you would include if you put a bank in Washington.

Mr. Fries: If you would leave it to me, I would say

everything from Pennsylvania to Key West, and made it big enough to over influence the big banks in New York and Chicago.

The Secretary of Agriculture: If you have any resolutions to file, you may present them.

STATEMENT OF MR. J. L. LUDLOW:

Mr. Ludlow: I am president of the Winston-Salem Board of Trade, and I have a resolution here, a copy of which has been addressed to the Acting Secretary of this Committee, and I presume you have it on file.

The Secretary of the Treasury: You may file a copy if you desire.

(The Resolution was filed, and is as follows:)

WINSTON-SALEM BOARD OF TRADE  
Winston-Salem, N.C.

January 15th, 1914.

To the Honorables

Wm. C. McAdoo and

David F. Houston,

Reserve Bank Organization Committee,  
Washington, D. C.

Gentlemen:

I have the honor to advise you that at a

meeting of the Board of Directors of the Board of Trade

of Winston-Salem, North Carolina, held on this date, the following resolutions were adopted:

WHEREAS, since the beginning of the public hearings by the Organization Committee in the matter of the location of the proposed Central Reserve Banks under the new banking and currency law it has become seemingly apparent that it may not be good public policy to create one particularly large Federal Reserve District with New York as the Reserve City; and

WHEREAS, a very large percentage of all the financial connections and affiliations of the banking and industrial interests of this city and state have been built up and developed through a long term of years with the cities to the north and east of us, and the maintenance and continuation of these financial affiliations with the least disturbance that may be practicable under the operation of the new banking and currency law is considered to be of the utmost importance to the interests of this city and

WHEREAS, the location of this city and state in a Reserve District of which any city to the south of us is to be the Reserve Centre, and the consequent disturbance



and reversal of the normal facilities of ready communication and of the channels of commerce in financial transactions under which our industry and commerce have been built up and maintained during a long period of years, would be so disastrous and inimical to the commercial and agricultural development of this state as to excite our most serious apprehension, and

WHEREAS, in connection with the normal financial and trade relations with the larger cities to the north of us, we also have intimate and important mutual interests in trade and financial relations with the State of Virginia and the cities thereof,

RESOLVED, that the letter authorized by this Board of Directors, addressed to the Hon. Wm. G. McAdoo, Secretary of the Treasury, under date of December 31, 1913, in which the request was made that North Carolina be placed in the Reserve District of which New York shall be the Reserve City, shall be so modified as to make our request be that Wintop-Salem and so much of North Carolina as may be found feasible shall be placed in a Reserve District of which some city to the North of us is to be designated as the Reserve City; and

RESOLVED, that the Reserve Bank Organization Committee is further requested to place the States of North Carolina and Virginia in the same Federal Reserve District, and

RESOLVED, that the Reserve Bank Organization Committee is hereby respectfully requested to grant a hearing at its convenience during the sitting of the Committee in Washington next week, to representatives of the Winston-Salem Board of Trade, that the subject matter of the above resolution may be presented in person.

Very respectfully submitted

J. L. Ludlow

President, Winston-Salem Board of Trade.

(Whereupon, at 1.25 P. M., a recess was taken until  
2 o'clock P. M.)

AFTER RECESS, 2 P. M.

STATEMENTS SUBMITTED IN BEHALF OF PITTSBURG, PA.

The Secretary of the Treasury: Gentlemen, I do not know whether any of you were here this morning when we opened the proceedings. If you were, I need not re-state the problem that we desire to secure information about. Briefly, it is this. We are required to divide the country into not less than eight nor more than twelve regional districts, and to locate the headquarters of a bank in each one of these districts. What we want are pertinent facts relating to the courses of trade and commerce and the banking exchanges within the districts that are to be organized. Naturally, where an argument is made in behalf of any city, it must be based upon the assumption of some district which that city is to serve.

Pittsburg, I presume, is prepared to present its views as to what the district which Pittsburg should serve should be, and also how that is to be related to the other districts in the country, because it is an inter-related problem. We usually find that we can get the information we want best by asking questions, and where briefs have been prepared, it would be better to submit them, especially

where they are statistical, and have them made exhibits to your testimony. We should be pleased to hear from anybody who wants to speak for Pittsburg.

STATEMENT OF MR. W. H. STEVENSON:

Mr. Stevenson: I am president of the Chamber of Commerce.

The Secretary of the Treasury: Now any resolutions of Clearing Houses or Chambers of Commerce, or Boards of Trade, you need not read, but they may be submitted and attached as exhibits to the testimony. They are generally just resolutions favoring the city. Now what we want are some facts.

Mr. Stevenson: Gentlemen, I represent the commercial organizations of the City of Pittsburg, and we appreciate this opportunity of presenting the claims of Pittsburg to this Committee. We have confined our presentation of this case to three gentlemen, who will speak here today. The few remarks I have to make, I have put in writing so that I could be brief, covering the general proposition from an industrial and commercial standpoint. We could have brought a crowd of character witnesses, if we had thought it would be necessary, but from the proceedings this morning

The Secretary of the Treasury: You do not mean that you could bring a crowd from Pittsburg?

Mr. Stevenson: We would bring a crowd, just as they did from Philadelphia, but we did not think it was necessary.

The Secretary of Agriculture: Before you begin, have you a map showing the district you have in mind?

Mr. Stevenson: The other gentlemen will present that.

The Secretary of Agriculture: If you will let us have it while you are talking, so we can look it over.

Mr. Linderman: We have a map prepared. We understood you wanted us to suggest other districts.

The Secretary of Agriculture: Yes.

Mr. Linderman: We did that, not intending in any way to show what you should do, but to show the relationship. This is the particular one that we spoke of for Pittsburg (Presenting Map.)

The Secretary of the Treasury: You may proceed, Mr. Stevenson.

Pittsburgh is here today to express its appreciation of the consideration of your Honorable Committee in granting this special hearing for the claims of our city in the consideration of the important problem which you have before you for the people of this country, of determining the places at which shall be located and established, the Regional Banks contemplated under the new Currency Law.

Since the passage of the new Banking and Currency law much of the opposition to its provisions has now disappeared and has been transformed into approval. Where dissatisfaction and even denunciation were heard three months ago, the bill as revised by Congress and signed by the President, has brought forth expressions of confidence and words of commendation. The business men of Pittsburgh have faith in their country and believe that with rapid adjustment to the new conditions resulting from the enactment of the new Currency Bill we shall have an era of commercial and industrial activity and prosperity.

In a spirit of cooperation, as well as patriotic interest in the great problem that confronts your Honorable Committee, we desire to submit to you the reasons why we believe Pittsburgh's advantages and resources not only

entitle it to consideration, but that it is a logical place for a Regional Bank, in consideration of the interest of our whole country. Your Committee, we understand, has outlined three essentials for the qualification of Regional Bank Centers, viz:

"First. Geographical convenience, which involves transportation facilities and rapid and easy communications with all parts of the district.

"Second. Industrial and commercial development and needs of each section, which involves consideration of the general movement of commodities and of business transactions within the districts and the transfer of funds and exchanges of credits arising therefrom.

"Third. The established custom and trend of business, as developed by the present system of bank reserves and checking accounts. In laying out the districts and establishing the headquarters for reserve banks, every effort will be made to promote business convenience and normal movements of trade and commerce."

Other representatives of the City of Pittsburgh here today, will satisfy you as to its qualifications from a financial standpoint. I have the honor to appear before

you as President of the Chamber of Commerce of Pittsburgh, which with the other trade and commercial organizations may be said to represent the sentiment of the business men of the great Pittsburgh Region, and who wish to lay before you a few facts in support of what they believe are pre-eminent qualifications of Pittsburgh as a business and transportation center for a Regional Bank.

The United States Census compiles statistics for metropolitan districts (a ten-mile radius), and in manufactures, population and area Pittsburgh is outranked by only New York, Chicago and Philadelphia. Had we the time and opportunity to show you, we believe it could be easily demonstrated that the Pittsburgh industrial and business district, exclusive of other territory included in the financial district to be considered in the location of a regional bank, would give it an industrial and business supremacy second to none in this country.

As is well known to you, Pittsburgh is the iron and steel center of the world. It is also the center of the world's largest supply of the best bituminous coal. The tonnage of the industrial district (forty-mile radius) as reported to the Chamber of Commerce and compiled by it



last year was railroad 164,594,915; river 12,476,323, a total of 177,071,238 tons. To carry this tonnage requires sufficient railroad cars of modern capacity to make a train reaching around the world at the equator. To move such enormous business Pittsburgh has its three rivers and the service of more than a dozen railroads, thus furnishing rapid and regular movement and unexcelled transportation facilities.

Pittsburgh is the natural gateway between the East and West and its strategical position for this reason was early recognized by the nations of white men who first occupied this country; it holds the same advantage today. Pittsburgh is within 12 hours of the sea and 12 hours of the Mississippi Valley. Nearly half the population of the United States dwells within a night's ride from Pittsburgh, which cannot be said of any other city. Approximately 700 passenger trains enter and depart from Pittsburgh every day serving a large proportion of the population, which must be considered in the establishment of a Regional Bank. The number of mails received by railroads in Pittsburgh is 157; the number of mails dispatched 170.

The Pittsburgh District produces annually 25% of all

the pig-iron manufactured in the United States, 20% of the steel rails; 35% of the glass and a large percentage of the tin plate, tubing, steel cars, air-brakes, electrical manufacturers, pickles, cork, and other useful articles to trade and commerce. In 1910 it produced 90,000,000 tons of bituminous coal, nearly one-third of the production of the entire country. The value of the manufactured products alone for the Pittsburgh Metropolitan District, as shown by the Federal Census for 1909, is nearly \$600,000,000; with wage earners of nearly 150,000.

The pay roll of the Pittsburgh district -- and I wish to emphasize this point, which I think is a very important factor in the establishment of a regional bank.

The pay roll of the Pittsburgh District is approximately \$1,500,000 for each day -- \$45,000,000 per month. One of our banks alone provided over \$7,000,000 last month.

From these stupendous figures it must not be concluded, as is too often the impression among the uninitiated, that Pittsburgh's industries are confined to the manufacture of iron and steel and the production of fuel. It has been said we do not make anything but iron and steel in Pittsburgh,

which is a wrong impression. The region is full of diversified industries, as can easily be seen by examining the census of manufactures of 1909 covering many lines of industrial activity.

The amount of foodstuffs and product handled in Pittsburgh gives an idea of the local market and its position as a distributing center. Pittsburgh stands third in the country for distribution of produce and vegetables. 35,000 cars were received and sold in Greater Pittsburgh District in 1912; 20,000 cars of which were sold in the Greater City, and the balance in the surrounding territory. These products show an increase of over 14% over 1911 and 33% over 1910.

Pittsburgh is also a great wholesale and jobbing center, the volume of the dry goods business in 1912 alone being estimated at \$25,000,000.

The shoe trade of Pittsburgh in the last year amounted to \$10,000,000.

Pittsburgh's retail merchants reach 5,000,000 consumers beyond the city. In its statements of the thirteen metropolitan districts the Federal Census shows the average wages paid in the Pittsburgh district to be the greatest

of any district east of the Missouri River, establishing the high purchasing power of the people of this region.

Pittsburgh's bank clearings in 1912 were \$2,798,990,215, an increase of nearly 10% over the previous year. According to the chief of the Corporation Tax Division of the Internal Revenue, the 23rd Internal Revenue District of Pennsylvania, 2050 corporations in the Pittsburgh District paid taxes on net earnings of \$213,520,000, according to the Government records of the last fiscal year. This is nearly 14% of the net earnings of the corporations of the entire United States.

The Chamber of Commerce of Pittsburgh has, within the last few days, made direct inquiry as to the business of the banks in the territory. This inquiry was sent to 917 banks in Western Pennsylvania, Eastern Ohio and West Virginia, representing a capital and surplus of \$170,000,000, and replies have already been received from 260, representing a capital and surplus of over \$100,000,000. These replies show that of the \$86,000,000 worth of business done with other banks, \$48,000,000 was with Pittsburgh and \$32,000,000 with all others, or about 10% more with Pittsburgh alone than with all others combined.

With all these and other considerations which will be set forth at this hearing today, it can be safely stated without fear of contradiction that a regional bank located in Pittsburgh would be an economy and convenience to a very large proportion of the country's people and business interests ensuring the retention of their reserves under Federal supervision in a strong financial center at their very doors.

The Chamber of Commerce of Pittsburgh, at a largely attended meeting January 8, 1914, unanimously adopted the following resolution:

RESOLVED, in view of the pre-eminence of Pittsburgh as a Banking, Commercial, Manufacturing and Transportation center, that the Chamber of Commerce of Pittsburgh present to the Federal Reserve Board the peculiar claims of this city and urge upon them the desirability of establishing here a Regional Bank.

This expression has been confirmed by similar action on the part of the commercial and civic organizations throughout the city and district, and, we have reason to believe, has the hearty concurrence of the large population of the region for whose benefit and advantage we submit

Pittsburg as the logical place for the location of a Regional Bank.

, In conclusion, gentlemen, I just wish to say that we hope that you will include Pittsburg in your itinerary, if possible, and see for yourself what a district we have.

The Secretary of Agriculture: we are both familiar with it.

The Secretary of the Treasury: We have been there frequently.

Mr. Stevenson: And the financial statement will now be made by the President of the Clearing House Association, Mr. McKnight.

The Secretary of the Treasury: Have you made a list of the gentlemen you want us to hear?

STATEMENT OF CHARLES MCKNIGHT:

The Secretary of the Treasury: Your occupation, Mr. McKnight.

Mr. McKnight: I am a banker.

The Secretary of the Treasury: What bank?

The Secretary of Agriculture: What position?

Mr. McKnight: I am president of the Western National

Bank and President of the Pittsburg Clearing House Association.

The Secretary of the Treasury: Mr. McKnight, you are familiar with our problem. I see you have laid out a tentative district for Pittsburg and I will be glad to have you submit your argument in having such an arrangement.

Mr. McKnight: We have laid out that district, gentlemen, because it seems almost contributory to Pittsburg's business, and Pittsburg in its way is contributory to the business of that district. It is on the other side of the Allegheny Mountains, and through its position, through iron --

The Secretary of the Treasury: Pardon me just a moment. In order to get this in the record, take this down, Mr. Stenographer. The Western part of New York, a line drawn just east of Rochester; western part of Pennsylvania, a line drawn east of Altoona; extreme western end of Maryland, the whole of West Virginia -- I mean the western end of Maryland, the whole of West Virginia and the entire state of Ohio, with Pittsburg suggested as the location of the Federal Reserve Bank.

Mr. McKnight: I have no idea, gentlemen, of making any set speech on this at all, and I am only going to try to tell you, in a few words, what we would like to have. The district, as I say, is contributory to Pittsburgh and Pittsburgh is contributory to it, on account of the quality and kind of its business. The coal business of Pittsburgh is, of course, entirely the father of the iron and steel business, because fuel is naturally part of that. The coal business reaches from Pittsburgh as far as Duluth, and practically all over the country and from those districts we receive the commercial paper which you gentlemen have to tell us later on what it is, but we received paper from all that part of over the country, which we have to discount and have to take care of.

The oil and gas business is -- practically Pittsburgh is the home of it. That is almost all of the oil and gas business of the United States, no matter where it is located, in Texas, or Oklahoma, or California, is financed and operated from Pittsburgh, by Pittsburghers. The glass business and the other business which Mr. Stevenson has mentioned, and which I will not go into the details of the statistics at all, are naturally contributory to Pittsburgh,



because all the paper comes back to that part of the country to be discounted. Its connection with Cleveland and Cincinnati are those of iron and coal, and the connection is very close, because we receive ore from the lakes which land at Cleveland, Astabula, Erie and other ports along the coast, and is sent to Pittsburgh, and is made into iron and steel, and those parts of the country that make it into pig iron, frequently send it -- a great deal of it is sold in Pittsburgh, for the purpose of making it into iron, steel, tin plate, sheet iron and things of that kind; so we claim this whole district is practically a basin which has the same kind of business. It is all of the same kind. We have no export business, or at least the export business we have in iron and steel goes through New York, but it is a business that is composed of practically one people, who are interested in each other and know each other, and know the paper that will have to be discounted in these regional banks. Pittsburgh is located in the central region. It is nearer to any city that you see mentioned in that map than any other large city. That is, for instance, we are nearer to Cleveland than Cincinnati, and we are nearer to Cincinnati than Cleveland. We are nearer to Johnstown than Altoona and Buffalo. so that practically we have a right

ride -- the longest ride we have in a train is one night to get to Pittsburgh from any other place. And we are also, should it be necessary -- we are also within one night's ride, as you know, of Washington. The other points mentioned in our district for a regional bank will take considerably longer to get to Washington than we would.

The postal facilities of Pittsburgh are peculiarly good in that direction, because Pittsburgh is what we call a fast postal district. I do not know that that is the technical name, but that describes it. That is, they send this mail as far as Pittsburgh. Then it is distributed to different parts of the country and from there on it is slow mail. That is, our place is situated in such a way that we get the first quick delivery of mail, which, of course, under those circumstances, from a business point of view, is very necessary.

The Secretary of the Treasury: Now, this district as you have laid it out, is that a borrowing district, or is it a self-contained district?

Mr. McKnight: The biggest borrowing --

The Secretary of the Treasury: When they could have a surplus of funds to lend at the season of greatest demand.

Mr. McKnight: It is a large borrowing district, for the reason that they sell all over the world. The coal goes, I say, everywhere.

The Secretary of the Treasury: What are your re-discounts -- what were they last year at the maximum point for this district?

Mr. McKnight: We could not tell you.

The Secretary of the Treasury: What was the re-discount in New York? How much was the borrowing of this district from other banks, I mean by the banks?

Mr. McKnight: It would be impossible to tell. That is one thing that we never boast very much of, how much we have to borrow from other people.

The Secretary of the Treasury: It is a fact we want to know.

Mr. McKnight: It is a fact we cannot give you.

The Secretary of the Treasury: We can get it, of course, from the Comptroller's records.

Mr. McKnight: That would not entirely cover it. There is a great deal of paper sold, which is practically --

The Secretary of the Treasury: Our Comptroller's reports will show the re-discounts of the national banks for that

district. Of course, that is all we know or can rely on.

Mr. McKnight: What I am trying to get at is this. It will show you what his record shows, but won't show you what paper was actually sold.

The Secretary of the Treasury: That is exactly what I said. It will show what was reported to the Comptroller as having been borrowed by the national banks of the district, and that will be some indication, at least, so far as national banks are concerned, as to what their borrowing is at the period of extreme demand. Do you think it is wise to create districts which are wholly borrowing districts, rather than to grade districts of a greater diversity.

Mr. McKnight: No, I do not think so. I think you have got to have a well balanced district as nearly as possible. In this district the country banks, as we call them -- the banks out through the country, where there is on manufacturing, are usually accumulators of money and they deposit it at Pittsburgh, at interest. Pittsburgh and these other cities mentioned in there are all loaning cities. That is, they are the centres where the people go to borrow money, but there is a constant demand from the country, for notes.

The Secretary of the Treasury: Is not Pittsburgh itself a very great borrowing city?

Mr. McKnight: I do not think it is, Mr. McAdoo. You mean borrowing from other banks. I think it is, except in the shape of deposits. It has always an active demand for money. That is one of the reasons why a regional bank -- that should be the location of a regional bank, and in Pittsburgh money soonest touches the bottom. That is our tremendous payrolls. As has been shown in 1907, the panic practically started in the City of New York, but the crisis of it came in the City of Pittsburgh, because of people taking money out and hiding it, putting it in their clothes; took it out of banks. Our deposits went down there so fast that inside of three days if we had not had some emergency currency, inside of three days after the panic started, most of the banks in Pittsburgh and practically almost every bank in the country would have closed.

The Secretary of the Treasury: What interest do you allow on reserve balances kept in Pittsburgh?

Mr. McKnight: Three per cent.

The Secretary of the Treasury: What is your practice about collecting checks? Do you collect them free?

Mr. McKnight: The practice is, we usually collect the checks for little or nothing.

The Secretary of the Treasury: Practically free. What do you estimate that the value of that is -- its equivalent is the interest rate per annum, free collection of checks?

Mr. McKnight: I should say it was equivalent -- it is very hard to estimate that. Three and one-half per cent, perhaps.

The Secretary of the Treasury: You do not mean that the free collection --

Mr. McKnight: I mean one-half per cent.

The Secretary of the Treasury: We have had testimony here that it was equivalent to about one per cent. Do you think that is too high?

Mr. McKnight: Well, I should think one per cent would be too high. In the first place, we try in Pittsburgh to estimate the cost of the collection of the checks, and make people keep a balance corresponding to that. That is, we try to.

The Secretary of the Treasury: We are only trying to ascertain about the value of the inducement.

Mr. McKnight: I see what you mean.

The Secretary of the Treasury: Of your reserve accounts, and its importance to ascertain also to what extent these extra inducements artificially stimulate the use of certain cities as reserve agents.

Mr. McKnight: I should say hardly more than one-half per cent on that, but you must remember in paying interest on deposits, I have understood Pittsburgh has been criticised because of it -- because it paid high interest on deposits but you must remember also Pittsburgh is a great money market. That is, it needs money and has to use it in the manufacturing business and all these other businesses,

The Secretary of the Treasury: It is not a criticism, so far as this Committee is concerned.

Mr. McKnight: I did not mean that, but I have understood by the papers that we have been criticised, because we pay high interest. Every city calls to itself the money it needs, and if it needs more money, it calls more money to it, sir, and the way to do that is by the interest it pays. London, for instance, if it wants to get off speculation, raises the rate of interest, because it cannot afford to borrow money. We, if we want money for our business and need it, we raise the rate of interest. I do not mean to

say that it always is a good plan to do it. We would sooner have the same amount of money and no interest at all.

The Secretary of the Treasury: We were asked to give consideration to the bank clearances of a city. Now, it becomes important too, to know if those bank clearances reflect normal business or abnormal business, to the extent that reserves are attracted to a city by a free collection of checks, which, of course, increases your clearances to that extent. These statistics must not be taken at their face value.

Mr. McKnight: I can only answer that myself, because I am not familiar with other banks in Pittsburgh, except by conversation, but I do not believe there is money attracted to the city of Pittsburgh, outside of the legitimate district by the free payment of interest or collection of checks, because I am pretty well familiar with what banks do business there, and they are usually attracted by the nearness of the reserve city to them, and the quickness with which they can get currency if they need it; and of course, the personal element has more or less to do with it and the aggregate of business done. That is something that is very strong. You cannot make it too strong, because a bank in



West Virginia, for instance, knows that Pittsburgh is familiar with its business men, and if they have to re-discount their paper, they can go to Pittsburgh and get it.

The Secretary of the Treasury: Is that true of the whole of Western Pennsylvania, or does it not apply largely to the northern part?

Mr. McKnight: Almost, I should say, three-fourths of West Virginia, the lower part of which is on railroads that come from the east and west, that don't come north and south from Pittsburgh. I should say that the extreme southern part probably would not count in there.

The Secretary of the Treasury: Would it not be doing violence to convenience and the customary course of business, to include Cleveland, Toledo and Cincinnati and those cities, in the district of which Pittsburgh was the headquarters for the regional bank?

Mr. McKnight: Not as much so as making Cleveland or Cincinnati, or Akron, Ohio, for Pittsburgh. You have got to do it somewhere.

The Secretary of the Treasury: I am not making comparisons.

Mr. McKnight: I am making that comparison just for that

reason. You said Cleveland and Cincinnati.

The Secretary of the Treasury: I am only asking as a matter of fact, if it would do violence to the conveniences and customary course of business, because that is the language of the Act here, to embrace the whole of Ohio and this district and make Pittsburgh the reserve center?

Mr. McKnight: I do not believe it would, because there is not a day passes that the iron and steel men are not in close connection with both of those cities; coal men also. Their great business coming from Pittsburgh goes through those two points, and they are very familiar with each other. Cleveland is only about four and a half hours from Pittsburgh and Cincinnati very little longer, and while Cincinnati is not quite as intimately connected with Pittsburgh as Cleveland is, because it is further west, and in the old days when coal was sent down the river by barges, Cincinnati was very closely connected with Pittsburgh. It is that to a large extent --

The Secretary of the Treasury: Do the banking exchanges between Cleveland and Cincinnati and Columbus and Toledo and all of those important Ohio cities -- are the bank clearances and exchanges greater with Pittsburgh than with

Philadelphia, or New York, or Chicago, for instance?

Mr. McKnight: Not either New York or Chicago. I should say that they are greater than with Philadelphia, unless they are sent there simply for the purpose of collecting checks. Philadelphia collects a great many checks in a general way, for the whole of the country, because they do it without charge.

The Secretary of the Treasury: You do the same, I understand.

Mr. McKnight: We do very much the same.

The Secretary of the Treasury: I think that Philadelphia only allows two per cent?

Mr. McKnight: Two per cent.

The Secretary of the Treasury: Now, you have seen the district which Philadelphia suggested here today, the whole of Pennsylvania?

Mr. McKnight: I have not seen it, no sir.

The Secretary of the Treasury: The whole of Pennsylvania and the southern part of New Jersey, Maryland, the eastern half of West Virginia, the whole of Virginia and North Carolina, with Philadelphia as the headquarters for a regional bank. What would you think of that district?

Mr. McKnight: Is this (indicating) the one?

The Secretary of the Treasury: Yes, in white.

Mr. McKnight: Clear down to North Carolina?

The Secretary of the Treasury: Yes.

Mr. McKnight: Well, we have no objection to that -- looks a little big.

The Secretary of Agriculture: That includes Pittsburgh and Philadelphia.

Mr. McKnight: The trouble is the business between Pittsburgh and Philadelphia -- Pittsburgh and Philadelphia, their business interests are so entirely different. They are not the same kind of business. We are more in sympathy -- I do not mean to say we are not in sympathy with Philadelphia, because we love them very much, but Pittsburgh has done business more closely with New York than Philadelphia.

The Secretary of the Treasury: The location of a Reserve Bank in Philadelphia would not disturb there, because the ordinary course of business between banks and their correspondent banks is not affected by this arrangement. Your reserve bank is located at one place or another and it holds the reserves of the member banks of the district, and

also re-discounts for member banks when they require it.

Mr. McKnight: There is the point you are getting at. They re-discount for member banks when they require it.

The Secretary of the Treasury: Now, could not a headquarters bank in Philadelphia, for instance, the directors being selected throughout the district which Philadelphia serves, as required by this bill -- could not it effectively deal with the situation -- as effectively, I mean, as if the bank was at Pittsburgh?

Mr. McKnight: I do not mean to say it could not, except to say that they are not familiar with the paper of the manufacturers through this section of the country.

The Secretary of the Treasury: Suppose Pittsburgh had a director.

Mr. McKnight: If they had the right kind of a director, it might work all right.

The Secretary of Agriculture: Would not that objection apply just as well to Cincinnati, if you took Cincinnati to Pittsburgh?

Mr. McKnight: Not entirely so, no sir. I think we are more intimately connected with Cincinnati, even than we are with Philadelphia.

The Secretary of the Treasury: I notice you suggest that Philadelphia be taken to Baltimore, or Washington. Would there not be more violence from that point of view, than taking Pittsburgh to Philadelphia?

Mr. McKnight: Washington, as I understand it, is a very central point, and they will probably be able to handle through the additional advice they will get from the Committee here, almost any section of the country.

The Secretary of Agriculture: What I mean to ask is, would not your argument be applied to every city?

Mr. McKnight: Yes sir; it would apply to every city you are going to put in this group. You might just as well make up your mind to that. There will be a great many violences of everything.

The Secretary of Agriculture: Would the violence be very real? Your ordinary banking operations would go on just as before.

Mr. McKnight: Yes, I think you will find them real, that unless you have some connection by birth and breeding and business, that they will eliminate the Federal Bank very largely, except for carrying what they carry by law.

The Secretary of Agriculture: Birth and breeding haven't

played such a tremendous part in the reserve operations up to date. You have gone to New York. You have gone to Chicago and you have gone to St. Louis.

Mr. McKnight: Yes, because you have made us do it. We have only three places we can keep our reserves, New York, Chicago and St. Louis.

The Secretary of the Treasury: But I have a diagram here, showing that Pittsburgh has the reserves of banks in all parts of the country and that does not seem to be doing any very great violence to the birth and breed of these people in these other communities.

Mr. McKnight: Well, I do not mean to say -- what I mean to say by birth, I mean the same people in the same business. I don't mean to say there is any particular breed or birth in Pittsburgh, because I do not think we have any, except a few that may have left up an account of the iron business.

The Secretary of the Treasury: I notice here that Pittsburgh has reserve accounts in banks, some of them as far west as California.

Mr. McKnight: That shows just what a remarkable good city it is, sir.

The Secretary of the Treasury: Do you think that the interest rate and free collection of checks has a lot to do with that?

Mr. McKnight: It might have, but why would they stop at Pittsburgh, when they can get them from Albany, Chicago or Philadelphia? I mean why should they come there, when they can get the same thing in Philadelphia. They do not come for some ulterior reason.

The Secretary of the Treasury: Why did they leave Albany or San Francisco?

Mr. McKnight: Perhaps they are offering them a bit more. I don't know.

The Secretary of Agriculture: I<sup>u</sup> Boston, the bankers from New England told us they went to Albany and Philadelphia, rather than to Boston, where they would normally go, simply because they offered those inducements.

The Secretary of the Treasury: Albany's statement shows something like two billions of bank clearances a year. On its face that would give it a great deal more importance than the facts as developed disclosed, because a large part of those clearances are the result of the unusual inducements that are held out by the banks there to carry the reserves



of other banks.

Mr. McKnight: You have so much more facilities to find these things out. Do you find many of those things in San Francisco, for instance, and outside points? We have an account in Black Hills, for instance, North Dakota. It is not an account of any reason except that of friendship. We do not know what you have there, because I cannot tell you, but do you find many of them? You might find a few, but do you find many of them? Because I do not believe there are very many in Pittsburgh that are interested in that way.

The Secretary of the Treasury: I do not know. I am trying to get information. I am simply asking for the facts, in order that the Committee may give the proper weight to all of these considerations.

Mr. McKnight: I think you will find very few. If you have your department here diagnose this case, you will find very few outside of the district I mentioned.

The Secretary of the Treasury: I do not consider it the slightest reflection on Pittsburgh that she has some California accounts, but on the other hand I want to know how much weight to give to the significance of those accounts, that is all.

Mr. McKnight: Yes, I understand you.

The Secretary of Agriculture: Have you some other point?

Mr. McKnight: I have nothing more, sir, no, except by the way, here are some charts that we have made and on these charts I have not produced any statistics, because I knew you were so sick of statistics that you could not sleep at night for them. We have these charts which we have prepared and will be glad to file them with your Committee and have them come up for consideration, if you can use them.

The Secretary of Agriculture: What do they show?

Mr. McKnight: They show the business with Pittsburgh.

The Secretary of Agriculture: That is an elaboration of this (indicating) on a larger scale?

Mr. McKnight: No, if you will excuse me a moment, I will show it to you and then we will close right up again.

The Secretary of the Treasury: These are commercial statistics.

Mr. McKnight: Commercial statistics. This is simply to show the coal and iron -- where they draw the coal and iron from -- the pig iron. These (indicating) are statistics about steel, I think.

The Secretary of the Treasury: We see the point.

Mr. McKnight: You can see the idea. These were pretty carefully drawn up and this (indicating) shows a radius of 100 miles around Pittsburgh, showing the population of the towns tributary to it, which would come into this district. These on the margin here (indicating) show the industrial statistics we have secured, and down here (indicating) you will find all of the authorities. They are official, not guess work. They are all taken officially from ones that you would be able to find out whether they were correct or not.

The Secretary of Agriculture: I should like to ask one question. In case it were deemed undesirable to put one of these banks in Pittsburgh, what would Pittsburgh's second choice be?

Mr. McKnight: Our affiliations, I say, have always been with New York, and I think I am saying that the rest of the bankers in Pittsburgh would say, that we would prefer being associated with New York.

The Secretary of the Treasury: Now, assume that you could not be thrown into New York, then what would your choice be?

Mr. McKnight: Well, I do not know. I would sooner not say. I do not think we have any second choice, Mr.

McAdoo, Mr. Houston. As we used to say in Chicago, we are for Pittsburg first, last and all the time. That is what we are here for.

The Secretary of the Treasury: Sometimes compromises are necessary, you know. You cannot always have just what you want. I do not mean to say we have many opinion on this.

Mr. McKnight: That is a pretty hard question to say what would be your second choice. You know you are changing the whole financial system of this country at one stroke of a pen. Our affiliations, as I say, have been with New York. We have kept our reserves to New York and Chicago, because the law requires us to do it. To ask whether we would choose Cincinnati, Columbus, Cleveland, Chicago, New York, or Philadelphia, would be hard. The movement of Pittsburg in a financial way has always been east so far.

The Secretary of the Treasury: Would not Philadelphia serve better than some western city, if New York were excluded? The object of the Committee is to get as much light as possible and find out what would be the next thing in your mind to best serve your convenience in the customary course of business. That is the reason we ask these questions.

Mr. McKnight: I am disposed to think it would, yes, sir.

The Secretary of Agriculture: What are your present relations with Buffalo?

Mr. McKnight: Our relations with Buffalo are particularly now through coal and iron business-- iron and steel.

The Secretary of Agriculture: Are Buffalo's relations anything like as intimate with Pittsburg, as with other city?

Mr. McKnight: I should hardly say they were, not in a financial way. Buffalo has done most of its business, I think, though New York, except as trade relations -- that is, as to coal. They buy a great deal of coal from us, and ship us more or less pig iron and ore and things of that kind.

The Secretary of Agriculture: Have you included the entire state of West Virginia?

Mr. McKnight: The northern and almost three quarters of of the state of Pennsylvania.

The Secretary of Agriculture: West Virginia.

Mr. McKnight: All of West Virginia, practically.

The Secretary of Agriculture: Are not lines of communication there east and west?

Mr. McKnight: No, sir, they are almost north and south. The Baltimore & Ohio Road, the Panhandle Road and several other roads that connect with Pittsburg -- the Panhandle of the Pennsylvania Line gridiron the State of West Virginia north and south.

The Secretary of Agriculture: We have testimony here yesterday that southern West Virginia would very much prefer to go either to Cincinnati or Baltimore.

Mr. McKnight: They might say that. I do not know, but you will find the railroads run right down here (indicating) all over this table. You will find this coal region here (indicating) in largely right straight through here (indicating) to the lakes. They also ship east, but they have a tremendous Lake business upon through those roads here (indicating) and passing through Pittsburg, and sold to Pittsburg people, a great deal of it. The Oil and gas region here (indicating) is another thing. The oil and gas deals directly with Pittsburg. You will find that all through here. There are more or less manufacturing plants supplied through this point of the state, but the oil and gas runs all over and their home is in Pittsburg. They deal directly in Pittsburg. They sell their oil in

Pittsburg.

The Secretary of Agriculture: The northern part of the state indicated a preference for Pittsburg, and Baltimore second. The southern half of the state indicates a preference for Cincinnati first, Baltimore second, or Richmond.

The Secretary of the Treasury: Thank you.

STATEMENT OF JAMES FRANCIS BURKE.

Mr. Burke; Now, gentlemen, I realize that your duties are just beginning where ours have left off. The allied commercial organizations and trades bodies in western Pennsylvania had a convention in reference to this matter, and were good enough, whether discreet or not, to ask me to appear in their behalf and say a word or two with reference to Pittsburg's particular claim in this matter. Now, what I have to say, I say with reference to a general situation affecting the entire country and realizing the very intricate and important problem that you gentlemen have to solve, and I realize too, that you have the disadvantage of having no precedent in history. I realize also that while some of the features of the bill are not those that I would have ratified, that it is a great landmark in the legis-

lation of this country and that it is in the hands of this Committee, primarily, in the hands of the Federal Reserve Board ultimately to establish an institution that will out-rival anything in the history of finance. It is not a matter of pure local pride with Pittsburg,. Pittsburg is probably the one practical community in this country that does not ever even deal in sentiment. Pittsburg and Pittsburgers have from the first desired results and we have gotten results where best we could obtain them honestly, whether these alliances were with Chicago, St. Louis, New York or some of the southern cities. Now, it seems to me that this bill having imposed upon you the limitation of naming eight banks as a minimum and twelve as a maximum, you have very little leeway. I think it would probably have been very much easier to have located four banks than eight banks. I think it is going to be very much easier to locate nine banks than eight banks, because of the distribution that you will be compelled to make with reference to the financial operations and trade conditions in this country. Three of these banks, I should say should be on the Atlantic Seaboard; essentially one in Boston, one in New York and one either in Philadelphia or



Baltimore, in their order. Later on, the question of whether or not one of these banks should be located in Atlanta or New Orleans, is a matter that must of course be governed somewhat by the location of the other banks, the trend of trade being, I believe, in all instances entirely from the west to the east, and from the south to the north. There is a very good natural reason to my mind for that, for the reason that condition had always existed, by reason of the early settlement on the Atlantic Coast first, and all trade relations that these people had were with Europe primarily. The money went east. When the second generation came along and settled west of the Mountains, and Pittsburg and Ohio Valley, they traded in turn with the east, and so on as you went west, even to San Francisco. I do not find and do not believe there is any general trend of trade, even in the far west in that direction, because of the fact that we have not yet developed our Oriental trade. Now to my mind Pittsburg -- and with reference to this matter of a third bank on the Coast here, the question as to whether or not it should be located in Washington, I do not attach any importance to that. I do not think it is either essential, and I doubt if it is wise to establish one of these regional banks in the capital of the nation. I think that

the federal Reserve Board that fundamentally must deal with this entire proposition, would be able to do better service to the entire country if it were divorced, rather than attach it to any particular unit, even by proximity. There are only two ways, to my mind, to select these districts. One is to select districts in which the natural combination of trades and industries will give you a normal banking activity the year round, and other to couple up two or more regions whose banking requirements are at odds at times, one offsetting the other. Both of these rules I believe, will have to be invoked by you gentlemen, and I think as you go west you will probably find that difficulty enhanced. Pittsburg is one of the regions that I believe -- the regions that we suggest, and by the way we are not hid-bound to this proposition. I will say that with frankness, and having consulted Mr. McKnight and those other gentlemen, I will say that is a tentative proposition. It is very elastic one. There is no particular reason why we should not take in Buffalo, if it becomes necessary in the distribution of the assets of any of the other districts to eliminate it from them. On the other hand, there is no

thought, and it was remarked to me by Senator Oliver in Philadelphia last night, the western strip of Ohio might be very properly excluded from this district and loss injury and less disturbance done to the final course of trade by attaching it even to Chicago, or possibly even to St. Louis. That would have to do, of course, with bringing down the capital of this particular bank in the Pittsburg region to the normal account, which I would figure would be about \$180,000,000 on a basis of ten.

The Secretary of the Treasury: Taking western Pennsylvania?

The Secretary of Agriculture: May I ask -- you mentioned that and may I ask do you favor the same number of districts that have been suggested?

The Secretary of the Treasury: He suggests nine.

Mr Furke : I have suggested nine. I think so far there has not been any more conviction on this subject as to whether or not there should be even eight or eleven, so far as that is concerned, and we thought possibly it might be well just to suggest both plan, so that your Honors would have the opportunity of comparing. Your question will arise as

to whether or not this bank should be in this region covering Western Pennsylvania, West Virginia and Ohio. I take it that the question will arise whether it should be in Cincinnati, Cleveland or Pittsburg. Now, if you will notice the map, from the map that was prepared by your Board or your Committee, the centre, the black spots indicating population is more nearly Pittsburg than any other given point in that territory. Now, if the commercial trend and the banking trend also corresponds with it, with what is indicated as to population, then naturally and irresistably, logic points to the selection of that city. We believe that it would be, while we do considerable banking business with Cleveland and soon with Cincinnati, and a great deal of the volume in West Virginia, we believe that to locate for this region either in Cincinnati or Cleveland, would be equivalent to placing this hub of a wheel on the outer rim. You would get smooth running, and that is one of the essential factors, I take it, your board is attempting to and must develop. Now we figure that with reference both to the capital that would be involved, the reserves -- the resources of this bank that as many of these banks as possible should be made self-sustaining the

year around, and if there are two or four possibly that right on could not be made self-sustaining, that in the course of time the Federal Reserve Board would develop and practice a relationship between these two and four alone, to help each other out in their seasonal requirements and thus ignore the entire other six or eight banks of the system, and in that way you would have a greater equanimity throughout the year. Now, Pittsburgh is one of those, we take it from the character of her industries -- is not only self-sustaining, but almost unlike any other city or any other region in the country. Now, I can be very brief. I have about four pages here if you will permit me to just take it in its order.

The French decided at Versailles, the English decided in Downing Street and Washington decided on the spot one hundred and fifty years ago that the point where the Allegheny and the Monongahela form the Ohio and enter the Mississippi basin is one of the great strategic centres of the North American continent.

History has confirmed this view. What was then a wilderness is today a throbbing centre of industries more varied in character and more extensive in volume than any

other in the busiest of all the busy nations of the world.

In the solution of one of the most intricate and important problems that ever arose out of a federal statute, this region of which the City of Pittsburgh is the very centre presents aspects and arguments which would seem to compel the establishment of a regional bank at this point.

Local pride should have no place in this undertaking. The ill-advised designation of a single regional institution today cannot fail to lead to disturbance of the entire system and local disaster later on.

As a consequence of more than one hundred years of effort during which time man's genius and industry have rendered richer fruit than ever marked a similar period in history, the people of the United States have established certain unchangeable channels of commerce and certain indestructible centres of trade.

Through these channels and to and from these centres it is an essential that credit and currency should travel as it is that blood should flow through the veins and to and from the human heart.

When credits cease to move from man to man, from town to town, and city to city, and when currency seeks

a hiding place or is driven from its natural field of activity or becomes stagnant in the arteries of trade, disaster follows and commerce dies.

Therefore our government's efforts both in legislation and administration should be to encourage and fortify wherever possible every legitimate development of commerce which our people have brought about in the past in order that the period before us may bear richer fruits than ever.

No law in the history of this country ever invested in human agencies greater power for evil or possibly greater power for good in the end than the National Reserve Act.

Its administrators have the power to do the greatest violence to established commercial customs, and on the other hand, to render a great national service in correcting some of the manifold evils of our present banking and currency system.

They must accomplish these objects:

Mobilize our reserves; create an elastic currency; create a ready market for our commercial paper and establish an effective discount policy to control the movement of gold.

In doing these things the manner of establishing and managing our regional banks becomes a vital part of the

process.

The first duty devolving upon this Board is to outline the regions, the second to locate the bank in those regions.

In the performance of this task the following objects should be kept in mind:

First: To do the least violence to established commercial currents and relations.

Second. To make accessible the largest population and greatest number of banks and banking centres.

Third. To embrace territory whose industrial and commercial activities (having relation to banking) will produce as nearly as possible a normal demand upon banks at all seasons of the year.

Many elements may influence our conclusions: The topographical, climatical, industrial and social conditions and relations as well as the political subdivisions of our nation present themselves for consideration.

It is true that while this is a federal law it has not changed a single state line nor modified a single state custom nor amended a single state statute in relation to banking or credits.

Nor has it converted strangers into acquaintances



nor automatically given the lender in one section confidence in the borrower in another.

Commercial conditions remain unchanged and commercial customs remain unaltered.

Bankers will discriminate as they have since banking first began and mutual acquaintance, mutual interest and mutual confidence will dominate the world of banking in spite of any legislation to the contrary.

Statutes may make it harder for men to do that which is natural and honest and profitable, but they cannot wholly prevent them except by destroying commerce entirely.

The Reserve Act will have a tendency to ease the way by releasing a large volume of reserves heretofore idle.

On the other hand, it may possibly cause some contraction by reason of unusual precaution upon the part of bankers in making loans during a period of transition and experiment.

This in turn may be overcome by the prompt action of Regional Reserve Banks in making re-discounts and issuing new reserve notes.

Again, a ready market for commercial paper both at home and abroad will, if expectations of the bill's

proponents are fulfilled, render merchants and bankers less liable to temporary embarrassments than heretofore.

Our ability, through a flexible discount rate and the mobilization of our reserves, to control the movement of gold and preventing foreign nations from depleting our gold reserve, will also have a tendency to steady the money market and reflect a placid influence on business generally.

Assuming, therefore, that our new banking system will do all these things if its units are wisely located and its activities and responsibilities prudently distributed, we come first to the number of banks that should be established.

As a general proposition I would say the minimum number of regional banks would best subserve the nation's interests.

While the two conflicting schools of thought point on the one hand to the evils of concentrated power in a single central bank, and on the other to the danger and weakness of a multiplicity of so-called reserve banks, we find each school every now and then claiming characteristics of the other. Thus when a central bank champion is confronted with the charge that his institution would work a

dangerous concentration of money at one point, he replies that such an amount cannot be the case, as the branches of the central bank would after all be individual instruments of strength in themselves with virtually the same powers and resources as a regional reserve bank.

Likewise, when a reserve bank champion is told that our reserves and resources will be so scattered throughout the country that no bank will be strong enough to command the respect of Europe and for this reason the latter will not deal freely in our commercial paper, not knowing where it can dispose of it in an emergency, and furthermore, that no one bank will have sufficient resources to control the movement of gold, he floors his adversary by saying that after all these entire eight, ten or twelve regional banks are but branches of a single institution, the Federal Reserve Board, which in its unlimited powers over discounts and its control of the volume as well as the location of our money, make it substantially a central bank.

In view of the fact that it may be impossible to divide the country into an even as small number of regions as eight without creating some that may be drained to the danger point at one season and burdened with a plethora of

cash at another, the natural remedy for such a condition would be to establish, through the Reserve Board, a particularly intimate relation between certain regional reserve banks whose seasonal and industrial requirements would be such as to enable them logically and easily to relieve each other.

Thus the first object of the Organization Committee should be to establish many regions as will be wholly self-reliant throughout all seasons, and thus preserve and promote the flow of commerce through those arteries of trade which time and thrift inevitably create.

If the administrators of this law should attempt to revolutionize American business methods to the extent of doing violence to customs founded upon the inexorable rules of commercial intercourse, the law will inevitably prove a failure.

If, however, they invoke and interpret it as an instrumentality for imparting vigor and regularity to the methods of conducting our commerce and relieving it of ailments for which under the old system there was no cure, it may prove to be one of the greatest legislative landmarks in our national history.

Viewing this great proposition from the standpoint of every element involved, I am convinced that the City of Pittsburgh offers more unanswerable arguments for the establishment there of a regional reserve bank than any other city in the United States, New York and Chicago alone excepted.

There are certain American products used throughout the world -- some of them are seasonal, others are produced at all seasons. Some keep bankers bust in the spring, others in the fall, others in the winter -- while the ceaseless activities of others keep bankers busy every month of the year.

Cotton, corn and wheat, while adding billions each year to our national wealth, are seasonal in their banking requirements. A bank situate in the centre of one of these regions would be subject to violent fluctuations caused by an abnormal demand for cash at one season and an almost total lack of it in another.

The articles of which Pittsburgh is the very producing centre are those which rarely fluctuate but present a continuous line of deposits to and a never ending demand for loans upon the banker, which offsetting the other from

January to December.

The United States Government, after exhaustive study, stamped Pittsburgh as the centre of the great bituminous coal mining and kindred industries by establishing there the American Bureau of Industrial Research.

Coal is mined and shipped and sold North, South, East and West the year around. The vast volume of bank exchanges involved from the miners' pay roll to the bondholder s' interest and the stockholders' dividedd is constantly taxing the bankers energies and resources on the one hand and reinforcing them on the other, thus preserving a normal condition throughout all seasons.

Oil, an industry born in Western Pennsylvania, is being produced in every great oil field in America and in Mexico with Western Pennsylvania money, and is being refined and shipped to various parts of the world every week in the year, and practically every dollar of currency and every piece of commercial paper involved in these particular and extensive enterprises find their way back at all seasons of the year in and out of Pittsburgh banks .

The natural gas industry tells a companion story in its conversation by the promoter, the driller, the shipper and

the consumer from its hiding place in the earth to the form of cash in the bank -- cash always active from one end of the year to the other.

Electrical devices that are lighting up the streets and structures of the civilized world are flowing out of Pittsburgh in a never ending stream, while the currency and the commercial paper involved are as familiar to, and as logical a part of, the Pittsburgh banker's daily scrutiny and care as the most ordinary local transaction. In this vast business, seasonal changes are unknown.

Safety appliances, block signals, automatic couplers, air brakes and steel cars are in demand wherever modern methods of travel are in vogue on either continent, and their demand is like the running of trains, constant throughout the snows of winter and the suns of each succeeding summer day. Pittsburgh supplies the world with these and nearly every dollar involved finds its way through Pittsburgh's banks.

The glass industry, of which we are the heart, is feeding the warehouses throughout the nation and shipping even beyond our borders at all seasons a volume of products that takes in and out of Pittsburgh's banks vast sums of money

throughout the four seasons with rarely, if ever, a violent fluctuation.

The greatest cork factory in the world, the greatest aluminum company on earth, the Carborundum Company and the New York Shipbuilding Company, the greatest pickling and preserving houses in the world, are sending their products every day of the year to the four quarters of the globe, and Pittsburgh money and Pittsburgh banks are the great financial engines through which their operations are carried on.

The iron and steel industry now supplies a market so varied in its demands and so universal in territorial scope that renders description useless. Suffice it to say that it is not a seasonal product but one that rewards the laborer and the manufacturer alike, and imposes upon the banker practically the same degree of responsibility in the month of January as in the month of June, and not only requires, but keeps in his coffers the same volume of currency during the planting season of spring as in the harvest season at the summer's end.

Thus it will be seen doth this marvelous region preserve the even tenor of her way from year to year and day to day.



And thus does she prove the necessity for locating in the very heart of these unparalleled and diversified activities a regional reserve bank to supply with ease and regularity its financial demands both in the reception and distribution of money, and in the discount and disposition of her mighty volume of commercial paper.

Other things than these preponderating elements prove that Pittsburgh is a centre of American activities involving large volumes of money and credit.

The internal revenue returns from Western Pennsylvania reflects the existence of a contiguous territory unequalled in the nation.

The one institution that ignores state lines and tells strikingly the story of men's dealings with each other is the United States Court. Litigation grows out of association. It is an index of the business activities of great regions established by the United States Government regardless of state lines. Pittsburgh ranks third in the United States in this regard.

Running a line from East to West through the very heart of the nation, we find it pierces the only seven cities that have a national banking capital and surplus of

over \$25,000,000. These cities are Boston, New York, Philadelphia, Pittsburgh, Chicago, St. Louis and San Francisco, and Pittsburgh ranks fourth in this distinguished line.

Can these great towering landmarks in our banking and commercial world be ignored without doing violence to natural trade conditions and the normal trend of American banking?

Journeying from Boston to San Francisco one passes in almost a direct line through the eight cities of the nation whose bank clearances last year exceeded two billion dollars each. These are Boston, New York, Philadelphia, Pittsburgh, Chicago, St. Louis, Kansas City and San Francisco.

Five of these are not central reserve cities and thus are not the recipients of artificial aid, but represent the regions they drain and serve.

How can these be ignored and preference be given to places whose business and banking rank are both far beneath these mighty leaders in American development?

By what logic can Pittsburgh, the fourth in this mighty line of industrial and financial giants, be stricken

down and some minor city enthroned in her place? How long would any law survive that would thus seek to reverse the order of the rules of American fair play and the natural laws of trade?

Shall a city whose \$603,482,836 of banking resources is serving business, represented in nearly three billion dollars of clearances last year, plead in vain for a regional bank?

Shall a city whose clearances increased in 1913 over \$132,000,000 while those of the country decreased over \$4,000,000,000 pack her grip and go knocking at the door of some strange and smaller city every time she wants to re-discount or aid a great enterprise?

Shall a city whose record in this respect exceeds that of Cincinnati and Cleveland combined be compelled to give up that supremacy born of a hundred years of industrial struggles and commercial triumphs and be sent to either of these younger and weaker sister cities to do her larger banking?

Shall a city within a night's ride of which dwell half the people of the nation be told that what nature has done the Federal Reserve Act will undo, and that the great

Metropolitan centre of to day will be made a provincial town tomorrow?

Shall a city whose total tonnage last year was nearly three times as great as that of New York, London and Hamburg combined, be numbered among the missing when the honor roll is read by those designated to name the twelve great centres of America trade?

Shall a city whose postal receipts of nearly three and a half million dollars last year reflects the vast value of her commerce be passed by and minor cities preferred?

Shall a city within seventy-five miles of which are national banks with a capital and surplus of nearly \$98,000,000 and whose national bank capital, surplus and deposits approximate \$5000,000,000, be omitted from a list which every American business man expects to include our leading banking centres?

Can you possibly ignore the claims of a city whose pay rolls alone average a million and a half a day the year round? One might as well consistently attempt to change the course of the sun as to attempt to divert the flow of trade and banking activities to such a centre.

As the logical place for a hotel lobby in which the calls to and from every room are answered is in the centre of the building, the logical place for a regional bank is in the heart of the region supplied with banking requirements.

You might as well place the hub of a wheel on the edge of the rim as ignore Pittsburg and locate this regional bank on the outskirts in Cincinnati, and you might as logically order us for all time to come pump water up hill as to reverse the natural trend of banking and compellus to go to Cleveland next to the Canadian border and Aurora Borealis to wonduct the great volume of our re-discounts and larger banking transactions.

Western Pennsylvania, Ohio and West Virginia from a natural banking region of which Pittsburg is the centre. Her regional bank would have a capital of over \$13,000,000 ample to take care of the great commercial activities of a section of the nation that for kinship of interests and equality of Activity through every passing season is unsurpassed.

With these indisputable facts in hand, and with supreme confidence in the wisdom of your Honorable Board, we leave our case with you.

I have a telegram here from Mr. McAllen, just received a moment ago, indicating the even tenor of their business. The Gulf Refining Company alone, one company, the total cash receipts and disbursements by checks through Pittsburg banks at this office during the year 1913, was \$57,419,000. That is true of the average amount per month for the first eleven months, which was \$4,476,000, December being \$8,000,000, because at that time they paid off some bonds, but there are nearly \$60,000,000 disbursements through Pittsburg banks, affecting an industry located in Mexico, Texas, and plants throughout the entire world. I have a letter here from Mr. Saus, President of the Pittsburg Plate Glass Company, received a moment ago. That company's clearances alone through Pittsburg banks last year was \$23,000,000. Now, Mr. Secretary, here is another matter that indicates the co-relation existing between the people of this region which I speak of, and that is the United States Court. As you all know, of course that indicates the activities --the United States Court indicates that people of various states have been doing business, because litigation ordinarily arises out of business, and the business done in the United States Court in the City of

Pittsburg was the third in the United States--New York, Chicago, Pittsburg. Philadelphia comes fourth, and other cities along the line. Now, running a line through the very heart of this country-- here is a condition that I do not believe can very well be ignored in this. We find it pierces only seven cities, which have national banking capital and surplus of over \$25,000,000, and that line runs from Boston, New York, Philadelphia, Pittsburg, Chicago, St. Louis and San Francisco, as direct almost as if it were a projectile from a gun. The very heart of the banking interests and activities of the country taking in all of these places, and five of these cities by the way are not central reserve cities. Now again, from Boston to San Francisco one passes in almost a direct line through the eight cities of the nation, whose bank clearances last year exceeded two billions of dollars. Those are Boston, New York, Philadelphia, Pittsburg, Chicago, St. Louis, Kansas City and San Francisco, being a very good statement/ For the reason that you state, Mr. Secretary.

The Secretary of Agriculture: Not so happy for us.

Mr. Burke: Might not be later on, and five of these cities are not central reserve cities, and those are not the recipients of artificial aid, but represent the natural volume of clearances incident to the regions they drain and serve. Pittsburg has \$603,482,836 of banking resources, serving business representing nearly three billions of dollars of clearances last year. In 1913, her clearances increased \$132,000,000 while the clearances of the United States decreased your billions, speaking rather well for a city whose banking methods have been questioned in a casual way here and there by gentlemen, who, in a facetious way have insinuated with reference to the high rate of interest paid, and with reference to the manner in which Pittsburg banks have been conducted, Pittsburg has had her share, as every city in the nation has had in the last twenty years -- her share of advertising; yet, in spite of all this, she stands on a solid bed of rock as any city in the country today, and the fact that she does pay 3 per cent interest on money is only an indication of the natural and active requirements of that great district, and it is a place where I believe, for that reason



alone, a central bank with reserve funds and the government funds and other deposits should be logically located.

Now, this city has, with a capital and surplus of \$98,000,000, banking capital and surplus of approximately \$500,000,000 in a 75-mile territory, and I do not see very well how a territory of that kind can be ignored and passed up, and a less substantial centre selected. We believe it is just as necessary to locate this bank in the heart of that region, as it is to locate a hotel lobby in the center of a hotel. The operations are practically the same. You want accessibility, and that cannot be said with reference either to Cleveland or to Cincinnati, unless they are made the center of another region, and with the kindest feelings toward Cleveland, and indicating our affection for her, because we want her in as a part of the Pittsburgh family, as we feel that when you compare Pittsburgh and Cleveland, that from a geographical standpoint Pittsburgh is the very heart and center around which all these great centres of population revolve, but with Cleveland, she has not a thing to trade from, but the Great Lakes, and so far as Cincinnati is concerned, it would do very great violence, in my mind, to draw on the great

banking resources of Western Pennsylvania over the state line, and into the southern and southwestern border of Ohio.

Those, Mr. Secretary, are some of the reasons that occur. It has been suggested that we had some difficulty in -- people had difficulty in getting money out of Pittsburgh, in 1907, but as has been stated, our cash pay roll runs a million and a half a day. I do not know anything like it in this country, and yet that pay roll was conducted and those industries were running, as far as there were demands for their products, without any difficulty. Banks got together and took care of each other. Merchants placed their credit and responsibility on the banks and that was that relationship existing there, that extended even over into Ohio. Youngstown and Steubenville were accepting our clearing house certificates, and other places. They do the bulk of their banking business in Pittsburgh. West Virginia, the part you have been speaking of, has been developed by Pittsburgh money, as well as the coal interests and the other interests there.

The Secretary of Agriculture: I have not had an opportunity to examine this map, but I inferred in glancing

rapidly through it that you suggest New York as one center.

Mr. Burke: Yes, Mr. Secretary, Boston taking from the east. I have drawn this out.

The Secretary of Agriculture: This (indicating) is the same.

Mr. Burke: Yes, sir, that stands out in bold relief there.

The Secretary of Agriculture: That would leave rather large regions to be covered by --

Mr. Burke: By the other eight, or the other six, yes. Now, there is a question there about New Orleans. I think myself from what personal reading I have made, and from what comments I have heard, that the trend of banking clearances from Texas, and possibly New Orleans, is in St. Louis, and it would probably be a more logical business proposition to locate a bank in St. Louis, instead of locating one at New Orleans.

The Secretary of Agriculture: St. Louis and Kansas City.

Mr. Burke: Yes, to both of these cities, with a predominating influence, I believe, in St. Louis. Here (indicating) you have the largest territory in area, but that is

something that cannot be gotten away from. A single glance at your map shows clearly why that is so. In all that territory, I counted last night, and I think there were only about six or eight black spots on it, and every black spot I counted a mark of merit, and that is all there is in all of that vast territory, out almost to the Pacific Coast states, to indicate that there is really any banking demand.

The Secretary of the Treasury: Now, you have thrown Philadelphia to Baltimore.

Mr. Burke : I would throw Philadelphia and New Jersey in.

The Secretary of Agriculture: Southern New Jersey?

Mr. Burke: Yes, Southern New Jersey, and it would be a question as to the location of one at Atlanta or New Orleans, as to how far south you would go. That would be governed entirely by that.

The Secretary of Agriculture: Would you care to express any opinion as to what should be done in case a bank were not established at Pittsburgh?

Mr. Burke: No, Mr. Secretary, because I have no banking connections, and I would not want my opinion to handicap the situation there. I say frankly, of course that that is

our preference, and, in that event, I believe our preference would be that which is impossible. Our preference, of course would be New York, but I regard it from having attended some of your meetings in New York, and listened to the comments of the ablest witnesses and the examination that you have made, that that is almost out of the question. If that were not done, of course, that is because of the previous condition. Whether you might call it the previous condition of servitude or not, but the present condition that has existed with reference to Pittsburgh. We do our banking business in bulk there. Our lines are established; our acquaintances are made; our credit is good, and I will say, Mr. Secretary, that a thousand men go to New York on the train, where 100 go to Philadelphia.

The Secretary of Agriculture: They go through Philadelphia?

Mr. Burke: We go through Philadelphia, and recently they cut out the Broad Street Station, and they send us through on a direct line, so there is not much choice. It has been suggested that we be tied up to Washington. I do not believe that would be practical. I think that would.

be almost as impractical as going west.

The Secretary of Agriculture: Just what harm, what disturbance would there be if the headquarters bank were at Philadelphia, or some other city, and you had one of the branches in Pittsburgh?

Mr. Burke: Well, I do not know. That is a hypothetical question, and that is hard to answer, unless we know just exactly what the policy of the Federal Reserve Board is going to be, and what its powers are going to be, and what the powers of this branch bank is going to be.

The Secretary of Agriculture: That is to be defined?

Mr. Purke: That is to be defined. It is possible under the language of this Act, I take it, to make a branch bank just as powerful and just as strong, for the purpose of conducting banking activities and relieving the demands of a region, as a regional bank. There is very little limitation, but whether or not they are going to vest that power in the Board of three which is selected by the Reserve Bank, and four by the Reserve Board, or vice versa, I do not recall which --

The Secretary of Agriculture: Four by the Reserve Bank and three by the Central Reserve Board.

Mr. Burke: Having selected them in that manner and

having them under control, whether or not there would be an absolute co-ordination between the two bodies, is a question that I could not answer.

The Secretary of Agriculture: There would certainly be, they would be in very intimate touch.

Mr. Burke: I agree with you.

The Secretary of Agriculture: Pittsburgh, for instance, would have those gentlemen there all the time to pass on the discounts and credits.

Mr. Burke: Yes; but now if your Federal Reserve Board in the selection -- this bank in the selection of the governors or the board of directors of the branch banks, should adopt a policy that would result in selecting those men from the immediate community, it might be a very potent factor and it would probably be a very logical solution of many of the questions you are going to encounter.

The Secretary of Agriculture: Would not they naturally do that?

Mr. Burke: I think they would. I think they should.

The Secretary of Agriculture: Of course you know the entire district elects those six directors in the Regional Bank. The headquarters city does not do that.

Mr. Burke: I understand; but the trouble about that is

that while the entire district selects them, the city itself is the center of their operations. If the greater part of the population were in the western end of the district, and the bank were located in the eastern end of the district -- I take it that the majority of that Board would come from the eastern end of the district, and not near the center of the commercial transactions, and in that way there would be some consistence.

The Secretary of Agriculture: The banks would have to determine that?

Mr. Burke: The banks would have to determine that, of course. It would depend of their vote.

The secretary of Agriculture: Then we must not forget, as has been stated before, that the great mass of banking transactions go on just as before.

Mr. Burke: Well, they will. Of course, your clearances-- whether these Reserve Banks are going to be clearing houses and to what extent they are going to abolish present practices, is something that cannot be answered.

The Secretary of Agriculture: They are in a sense Reserve Banks and Clearing Houses.

Mr. Burke: Yes, that is true, but as I understand the Boston case--the Boston Clearing House has the best



system of clearances in the world, or at least in this country, but I think they cost about 7 cents a thousand dollars to clear, and yet less than 10 per cent of the exchanges for that territory avail themselves of the Boston Clearing House opportunities. That is because they have a better system of their own.

The Secretary of Agriculture: We will make the whole system as good as the Boston system.

Mr. Burke: I hope so, Mr. Secretary.

The Secretary of Agriculture: I hope so. Anything else, Mr. Burke?

Mr. Burke: No, sir.

The Secretary of Agriculture: Any other gentleman desire to speak from Pittsburgh?

#### STATEMENT OF GEORGE T. OLIVER.

Mr. Oliver: I will only say, Mr. Secretary, that I have scarcely anything to add to that has been so well said before, but it seems to me-- I have not conferred with these gentlemen that have been in Pittsburgh, as I have been here, but I do not know the details of the plan they have submitted, but I do know this; that it seems to me that the theory which should be followed by your committee in recommend-

ing the location of these regional banks, should be to put the regional bank where the business is, and I think that the Pittsburgh district itself, eliminating all other metropolitan communities, or partially metropolitan communities, like Cleveland or Buffalo -- take the Pittsburgh district itself, that it will furnish enough of the banking capital, its resources, its business all through is fully one-eighth or one-tenth or one-twelfth, as the case may be, owing to the number of the locations of the banks for the entire country. Now, it seems to me that the logical place to locate these banks is where the business is. You draw a line, taking Altoona on the east, say--The Allegheny Mountains on the east, the northern part of West Virginia, the eastern counties of Ohio, half of western Pennsylvania, and you have a district that will furnish enough business itself, every bank in which has its natural center in the City of Pittsburgh; and you will find that its proportion of the business of the entire country is equal to the one-tenth, one-twelfth, or one-eighth as the case may be, of the entire business of the country.

You people on the outside do not appreciate the importance of this community. The Pittsburgh district has a tonnage, in and out, three times as much as any other

Metropolitan district in the world. Three times as much as London, Liverpool and New York combined, or any other three cities in the world, and the tonnage, in and out, multiplied by three, would be less than the aggregate tonnage of Pittsburgh. It would be a shame to take this into Cleveland. It would be making one swim upstream all the time, and you consider it with us as a matter of sentiment, but it is a matter of business as well. I think the banks should be located where the business is, and in the natural centre of the business, and we will be satisfied if you give us one of these banks, if you do not put a single village in whose banking business is not to-day centered in the City of Pittsburgh. That is all I have to say.

The Secretary of Agriculture: Gentlemen, if anything occurs to you at the hearing that you desire to submit, you will have an opportunity to do so. You can send it in in writing to the Committee.

The Secretary of Agriculture: Is Atlantic City here? Gentlemen, will you kindly come to order?

## STATEMENT OF JOSEPH A. McNAMEE

The Secretary of the Treasury: Your occupation?

Mr. McNamee: I am president of the Chamber of Commerce of Atlantic City.

The Secretary of the Treasury: Your business?

Mr. McNamee: Treasurer of the Marine Trust Company.

The Secretary of the Treasury: You have something you want to say about Atlantic City?

Mr. McNamee: We do not come for a regional bank for Atlantic City, because we know we could not get it, but we come in the interest of Philadelphia. We come saying that we have a great deal of sympathy with the desire of the administration, and the Committee to distribute the interest at par, instead of confining it in any one place. We also come, more or less, with some sacrifice. We believe in what the President says in his letter to the Committee to Congress, that the work to be done is so pressing and so fraught with big consequences, that we are not at liberty to weigh against it every point of personal sacrifice, and we believe the Bill means what it says, when it states that the districts shall be apportioned with due regard to convenience and customary course of business.

We come from a district of South Jersey, which has over 100 banks, with \$23,000,000 of capital and surplus, and with a valuation of \$400,000,000, all within an average radius of 50 miles of Philadelphia. Our own City of Atlantic has an assessment greater than the whole state of Delaware.

We have ten banks, with a capital of Four Millions of dollars and surplus, and more than one half of the banks have earned a surplus greater than their capital. We have one bank fourth on the Roll of Honor of the United States and two Trust Companies on the Roll of Honor. Our clearances in Atlantic City last year were about \$250,000,000. Now, we have been doing business in Philadelphia, for years.

They know us, They know our methods. They know our ways. They know our people. They know what we need by way of favors, and we have no trouble getting them. They helped us to build up this great city, this great system, and we fear that if we are compelled to go to another city for our regional bank service, we would not be known so well. They would have to commence to learn us all over again, and as a matter of fact, we feel that if we cannot get Philadelphia for a regional bank, that we might be obliged to give our business to New York, which knows us

second best to Philadelphia. And, therefore, we are particularly anxious that a regional bank should be established in Philadelphia. We say for instance, off hand, there is no sentiment in business. Now, I feel and I think you gentlemen realize there is a great deal of sentiment in business. It is all of more or less sentimental in character. We have a great deal of patriotic sentiment all through that section. Our South Jersey and our Philadelphia were prominent through the Revolution. We have our Monmouth, our Trenton; Philadelphia also has its associations. We would feel almost, if you took us away from Philadelphia, that you would be taking away our father, and that you would be forcing us to go out and get a foster mother. We would be like a lost child somewhere, forced to live under a stepmother, and we hope that you will take into consideration the needs of South Jersey in regard to Philadelphia and give her a regional bank there.

The Secretary of Agriculture: Suppose you had a branch in Philadelphia?

Mr. McNamee: There might probably be some relief in that respect, but is on the same principle that you always want to go to the head, to deal. Now, for instance

it takes us three hours to go to Baltimore; takes us almost four hours to come to Washington. Now, dealing with heads, we would probably have to leave that branch and come to another point, and we do not want to discourage any other point. They are all our friends. We like them. We get business from all of them, Washington and Baltimore and all through the south.

The Secretary of the Treasury: You realize of course, that your ordinary operations with your correspondent banks are not disturbed by this Bill, do you not, that the ordinary business that you now do will continue as heretofore? These Reserve Banks will hold part of the reserves and re-discount from member banks. They have some open market operations, but so far as general business is concerned, between banks and their correspondents, that is not affected. Now, do you re-discount very much at any time of the year?

Mr. McNamee: Yes, that is a very important part of our business. We have a season of famine, and a season of plenty. Three months a very large business and nine months in the year we borrow money. During the summer season we ship probably \$12,000,000 of currency to Philadelphia, and for the other eight months of the year, at

least, our banks are in debt.

The Secretary of Agriculture: What is the population of Atlantic City?

Mr. McNamee: Normal population 50,000 and in summer time, at the height of the season, about 350,000. We have 1,000 hotels and boarding houses.

The Secretary of the Treasury: Yours is a Trust Company?

Mr. McNamee: A Trust Company.

The Secretary of the Treasury: Are you coming in, or have you applied yet?

Mr. McNamee: We have not applied, because we cannot understand our position yet, our status.

The Secretary of Agriculture: Could you come in under the law?

Mr. McNamee: I wrote to the State Department, asking that question, and they said the matter was being considered.

The Secretary of the Treasury: Ordinarily, a Trust Company would have a right to take stock in another institution.

Mr. McNamee: The question I submitted to the Comptroller of Currency, by correspondence, was should our bank come into the system, would they still retain their powers



under the state charter, which, for instance, would give them the right to loan money on real estate mortgages of any kind, and to that I have not received a reply.

The Secretary of the Treasury: May be you stumped him.

Mr. McNamee: I would not like to.

The Secretary of the Treasury: The fact is, that a great many questions of that character are being asked, and the correspondence at the moment is so prodigious that it has not been possible to answer them all properly. Of course, it will be done in due time.

Mr. McNamee: I did not wish to put it in as you say, but it has occurred to me that you make three heads for loaning, agricultural, commercial and industrial. In the ordinary sense of the term, we have not <sup>any</sup> ~~one~~ of those. I asked the Comptroller how he would class theatres, amusements and hotels -- under which of the three heads he would put them. For instance, we made a very large loan to a splendid customer not long ago, dealing with us for years, an amusement enterprise, total amount of \$30,000. We thought it eligible or acceptable for re-discount for a regional bank.

The Secretary of the Treasury: The Federal Reserve Board has the power to define the character of paper which is eligible for re-discount, under this bill, and that question the Board will undoubtedly deal with immediately upon its organization.

The Secretary of Agriculture: Have you any other facts to present?

STATEMENT OF MR. CARLTON GODFREY.

Mr. Godfrey: There was one point raised here which I would like to comment upon, and it has nothing in relation to anything that has been spoken of by Mr. McNamee.

The Secretary of Agriculture: What is your position?

Mr. Godfrey: I am president of a Trust Company in Atlantic City.

The Secretary of Agriculture: What is the name of the Trust Company?

Mr. Godfrey: The Guarantee Trust Company. I happen at the present time to be a member of the legislature of New Jersey; and anticipating the doubt legally that you have raised with respect to the rights of a state bank of Trust Company in New Jersey to join this system, and being desirous

that every state bank and Trust Company should join the system, I introduced a bill last Tuesday in the legislature, after consultation with the State Banking and Insurance Commissioner, to give the state's permission to accomplish that result, so that I anticipate after the next two or three weeks there will be no doubt upon the question.

The Secretary of Agriculture: The same course is being followed in a number of states.

Mr. Godfrey: As to whether all the trust companies will join the system, and all the state banks, I presume that question will be affected a great deal by the rules which govern the actual operation of the national system. For instance, in the paper which is re-discounted, if there was permission given to the banks to take that bank again, immediately upon funds coming in, regardless of whether the payment was due or not, and a return of that portion of the unearned interest, I assume that that would materially affect the willingness of many of the Trust Companies and State banks in New Jersey to come into the system, as well as more or less of the national banks. Because funds do come in. We need to borrow for a short time, and if the paper runs for four months and we are

allowed to take it back in two months, I assume if that practice is carried out, it would affect a very large percentage of the banks in Southern New Jersey and along the seashore.

In relation to our desire for Philadelphia, I think that has been well covered by Mr. McNamee. Atlantic City is very desirous to have Philadelphia selected as a location for one of the Federal Reserve Banks.

The Secretary of the Treasury: That is your normal connection.

Mr. Godfrey: Yes, absolutely, and in the normal course of business.

#### STATEMENT OF MAYOR WILLIAM RIDDLE.

The Secretary of the Treasury: Mr. Mayor, have you anything that you wish to add to the views already expressed?

Mayor Riddle: Mr. McAdoo, with the desire that the system shall succeed, I think it would be a serious detriment to you if the regional bank were not in Philadelphia. Many of the Trust Companies will accept the proposition of the Corn Exchange Bank of New York, and not go into the system, if it is not in Philadelphia. And we people in Atlantic

City feel that a very great detriment will be done to our business prospects if Philadelphia does not have a Reserve Bank. Because, as president of our Chamber of Commerce, I may say that we have three months when we make a great deal of money, and take it away from you people who visit us, and for nine months we have to borrow and wait for you for the next season.

The Secretary of the Treasury: I am quite familiar with the process.

Mayor Riddle: We felt like mosquitoes after we heard about Pittsburg, but we are not mosquitoes in the summer time. We certainly are a great city, with about 350,000 population, and it would be greatly to the advantage of everybody, if Philadelphia, which lies so near to us, would be at our command, for our business operations.

The Secretary of the Treasury: Mr. Mayor, we shall certainly give it very serious consideration.

Mr. Elwood S. Bartless: I am cashier of the Atlantic City National Bank. If we cannot have Philadelphia, we would much prefer to have New York, to Baltimore.

(At 4 P.M. the hearing was adjourned, to meet in Chicago, Ills., on Monday, January 19th, 1914.)